

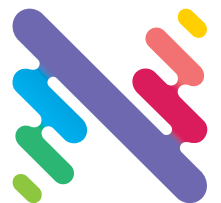
Audit, Risk and Improvement Committee

Annual Report

2023/24



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City of
Newcastle

Acknowledgment

City of Newcastle (CN) acknowledges that we operate on the grounds of the traditional country of the Awabakal and Worimi peoples.

We recognise and respect their cultural heritage, beliefs and continuing relationship with the land, and that they are the proud survivors of more than two hundred years of dispossession.

CN reiterates its commitment to address disadvantages and attain justice for Aboriginal and Torres Strait Islander peoples of this community.

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1. Foreword

The Audit, Risk, and Improvement Committee plays a vital role in ensuring the City of Newcastle (CN) thrives. Our mission is simple yet impactful: to deliver independent, objective insights that strengthen governance, risk management, financial accountability, and overall performance. We aim to be more than just a watchdog—we're partners in driving CN's success.

In 2023/24, we honed in on critical areas, including system controls, tendering and contract management, special business rates, and evaluating the effectiveness of CN's key frameworks. At the same time, we've sharpened our focus on emerging risks and performance improvements. A particular point of pride is our deepening commitment to the Committee's improvement mandate—helping CN not just meet expectations, but exceed them.

Our evolving role reflects our commitment to where we can make the most impact. This includes strategic priorities like coastal erosion, business improvement initiatives, and areas of high public interest such as transparent governance, enhanced legislative compliance, and fraud prevention. These aren't just checkboxes—they're opportunities to deliver real value for CN and its community.

I'd like to extend heartfelt thanks to my fellow Committee members for their dedication, insight, and critical thinking. It's through their thoughtful questions, deep analysis, and collaborative spirit

that we continue to evolve and improve. Our annual performance review was a great chance to step back, refine our approach, and ensure we're engaging with maximum impact.

Looking ahead, we remain committed to tackling risks head-on and identifying opportunities to enhance the city's performance. By working together, we're safeguarding community assets and helping CN deliver meaningful, lasting benefits for the people of Newcastle.

It's been a privilege to lead this Committee, and I'm proud to commend this Annual Audit, Risk, and Improvement Committee report to Council.

Stephen Coates
Independent Chair
Audit, Risk and Improvement Committee

2. Background

This report documents the operation and activities of the Audit, Risk and Improvement Committee (Committee) for City of Newcastle (CN) from 1 July 2023 to 30 June 2024. The Committee plays a pivotal role in overseeing CN's governance and risk framework and provides independent assurance and oversight of audit processes, including internal control, risk, governance and external accountability activities.

Established on 19 May 2009, by a resolution of Council, the Committee consists of three independent external members, one Councillor member and one Councillor Observer, aligning with the Office of Local Government Internal Audit Guidelines (November 2023) and the Audit, Risk and Improvement Committee Charter (adopted by Council 25 June 2023).

Operating under its charter, the Committee oversees CN's risk management control framework, legislative compliance, internal audit, financial governance, service reviews and performance reporting. The Committee also reviews the external audit opinion and recommendations. The Committee reports to the elected Council at least annually.

CN's internal audit function and the Committee support the Chief Executive Officer (CEO) to oversee CN's governance and risk management, and controls, as referenced in CN's Enterprise Risk Management (ERM) Framework. CN's Internal Auditor reports to the Committee.



3. Audit, Risk and Improvement Committee members



Stephen Coates
Independent Committee Chair

July 2017 – Current

Stephen joined the Committee on 1 July 2017 and is Immediate Past President of the Institute of Internal Auditors – Australia, Vice President of the Asian Confederation of Institutes of Internal Auditors, and a member of the International Internal Audit Standards Board. He is an experienced Board and Audit Committee Chair and has extensive experience leading assurance and risk advisory teams in both the private and public sector. Stephen works with Board and Committees on managing risk culture and risk frameworks and delivers training events globally on risk and risk related topics.



Greg McKenna
Independent Committee Member

June 2018 – December 2023

Greg joined the Committee on 25 June 2018 and was reappointed to the Independent member position in August 2021. Greg is currently the CEO of the Police Bank Limited, a Mutual Bank dedicated to serving its members and their families in the NSW Police Force, AFP, Tasmanian Police and Australian Border Force. Greg's career in Banking and Finance spans more than 30 years. He is also a member of the Australian Institute of Company Directors and holds a Bachelor of Business (Banking and Finance) from Monash University as well as a Master of Applied Finance from Macquarie University.



Vivek Chopra
Independent Committee Member

August 2021 – current

Vivek joined the Committee on 31 August 2021 and is currently the Head of Internal Audit and Assurance at St. Vincent De Paul Society QLD. Vivek sits on other local government Councils within QLD and Victoria and is a Board Member of a reputed Not for Profit organisation in NSW. Vivek is also the Deputy Chair of Institute of Internal Auditors Australia, QLD Chapter. Vivek lectures about Financial Accounting and Audit and Assurance at reputed QLD universities, has completed his Bachelor of Commerce degree, Masters of Accounting degree and is a FCPA and GAICD. His areas of expertise are within internal and external audit, risk management, compliance, quality management, governance and cyber security. Vivek aspires to provide a collaborative and integrated approach to delivering sustainable and cost-effective solutions.



Cr Dr John Mackenzie
Committee Member

September 2017 – September 2024

Cr Mackenzie was elected to Council in September 2017 and joined the Committee in September 2017. He additionally holds the title of Dr Mackenzie and is a policy research consultant with over fifteen years' experience in academic, government and consulting roles. Dr Mackenzie brings expertise in social research, impact assessment, community engagement and evaluation. He has worked around the country on policy initiatives that bring communities together to find solutions to complex, divisive and intractable natural resource management problems, such as water allocation in the Murray Darling Basin and Indigenous water rights in Cape York and the Kimberley.



Cr Carol Duncan
Committee Member

August 2021 – September 2024

Cr Duncan was elected to Council in September 2017 and joined the Committee in August 2021. Cr Duncan is an experienced media professional with a broadcast career of 30 years, during which she has worked in many Australian capital cities. A resident of Newcastle since 1993, Cr Duncan served on the Hunter Medical Research Institute and Newcastle Art Gallery Foundations and is the founder of the Lost Newcastle community history Facebook group of over 55,000 members. Cr Duncan has been recognised by the Walkley Foundation, the NSW Premier's Office and the NSW Cancer Council for her work as a journalist. She is also a member of the Australian Institute of Company Directors.

4. Audit, Risk and Improvement Committee report card

The Committee met five times throughout 2023– 2024.

Key items of business include:

Received briefings on risk, audit actions, quarterly budget review statements and the quarterly forward internal audit plan at each meeting

Considered reports on internal and external audits

Received briefings from the Audit Office of NSW, including CN's audited financial statements

Discussed emerging risks and any general business arising

Held in-camera sessions with individual key stakeholders, including CN's CEO, Executive Director Corporate Services and Chief Financial Officer, Executive Manager Legal & Governance, CN's Internal Audit Coordinator, and the Audit Office of NSW, prior to each Committee meeting.

The Committee's attendance:

Name	Role	Eligible	Attended
Stephen Coates	Chair	5	5
Greg McKenna	Independent	3	3
Vivek Chopra	Independent	5	5
Cr Dr John Mackenzie	Councillor	5	5
Cr Carol Duncan	Councillor	5	4

Other attendees at Committee meetings include:

CN staff:

CN's Chief Executive Officer (CEO)

Executive Director Corporate Services and Chief Financial Officer

Executive Manager Legal & Governance

Enterprise Risk Manager

Internal Audit Coordinator

Governance Manager

Invitees:

Audit Office of NSW

CN staff requested presenting to the Committee

Internal Audit Co-source Partners

Committee Charter	Compliance
<i>Committee meetings</i>	A quorum was met at every meeting.
<i>Composition</i>	3 Independent members 2 Councillors
<i>Broad range of skills and experience</i>	The Committee consists of a diverse range of extensive experience across risk management, internal audit, local government and commercial activities.
<i>Functional separation</i>	The Committee has no executive powers.
<i>Sufficient time allocated to tasks</i>	The Committee agenda facilitated adequate time to discuss all internal audit reviews, external audit reviews, update on the progress of the implementation of audit actions.
<i>Probity</i>	Members declared conflicts of interest if they arose.
<i>Risk management</i>	Risk management key activities are reported at each meeting of the Committee. The Committee maintains interest in the implementation status of CN's Enterprise Risk Management Framework and clarification of risk data to inform business planning and decision making, including the internal audit plan.
<i>Control framework</i>	The Committee effectively reviewed the controls, policies and procedures through audit reports and high-level briefings received.
<i>Compliance</i>	The Committee received and reviewed the annual calendar of Compliance and Reporting Requirements 2023/24.
<i>Fraud, corruption and control</i>	The Committee received and reviewed CN's Fraud and Corruption Control Plan.
<i>Internal audit</i>	Reviewed and approved the internal audit coverage and CN's internal audit plan, ensuring it considered the risk management plan. Consideration was given to the identification of significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices. The Committee monitored the implementation by management of internal audit actions.
<i>External audit</i>	The Committee has continued to review CN's financial position and commitment towards achieving financial sustainability. The Committee met on 10 October 2024 and received engagement closing report from Audit Office NSW on the CN's financial statements in respect of the year ended 30 June 2024. A management report of significant financial matters for the year ended 30 June 2024 was received. Audit Office NSW also reported the Final Management Letter during the Committee meeting held on 12 December 2024
<i>External accountability</i>	The Committee acts as a forum for communication between the Council, the CEO, senior management, internal audit, external auditors and the Auditor Office of NSW.
<i>Financial management</i>	The Committee receives and reviews the Quarterly Performance Review report at each meeting.
<i>Self assessment</i>	The Committee conducted a self-assessment to determine the extent to which it is achieving its overall objective to provide independent assurance and assistance to CN on risk management, control, governance, and legal and regulatory obligations; and assess the performance of CN's internal audit function. The self-assessment for 2023/24 was completed by the Committee and attendees in August 2024.

CN co-sources its internal audit activities which are managed by an in-house Internal Audit Coordinator which enables audit agility, autonomy, maintains independence from CN's management, and enables specialised knowledge and skills to be procured to conduct audits of high-risk areas which could impact CN's objectives.

In the past 12 months, the internal audit function reviewed, provided assurances and recommended control and efficiency improvements across the following operations:

Audit	Conducted by
1 RMS Drives 2023/2024	CN
2 NHVAS Compliance Review	CN
3 Employee Performance and Recruitment (Follow-up) audit	Centium
4 Tendering and Contracts Compliance Audit including fraud risk focus	Centium
5 Special Business Rates (Expenditure) Audit	Prosperity
6 PCI DSS Compliance Review	CN
7 Key System Controls Audit	Centium
8 Test of Control Effectiveness (underway as on 30 June 2023)	Prosperity

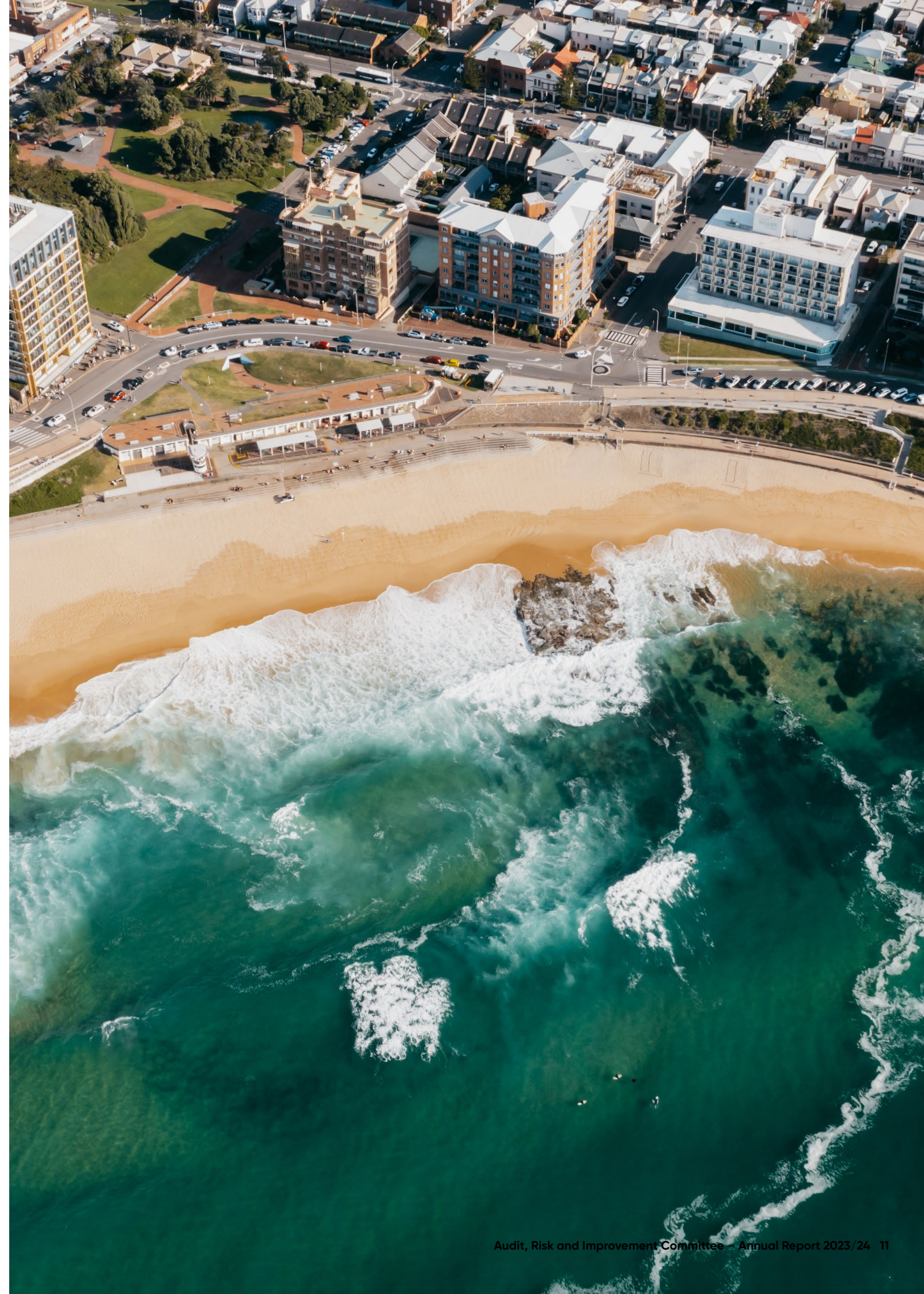
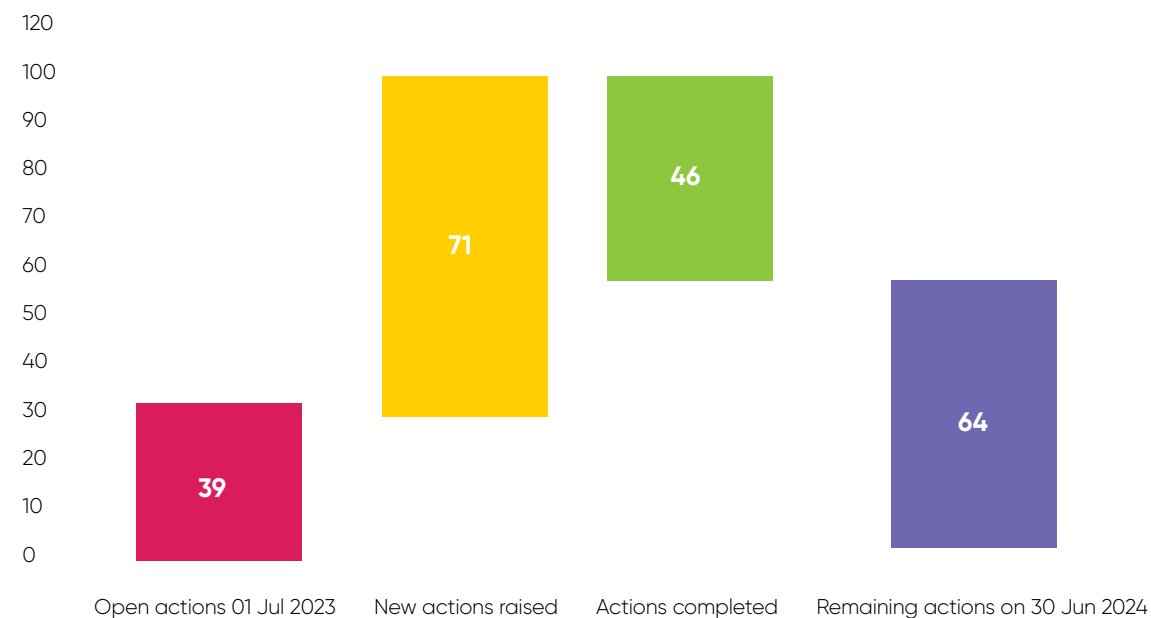
* One (1) audit was in progress as on 30 June 2024 and finalised in September 2024.

Internal audit action monitoring program

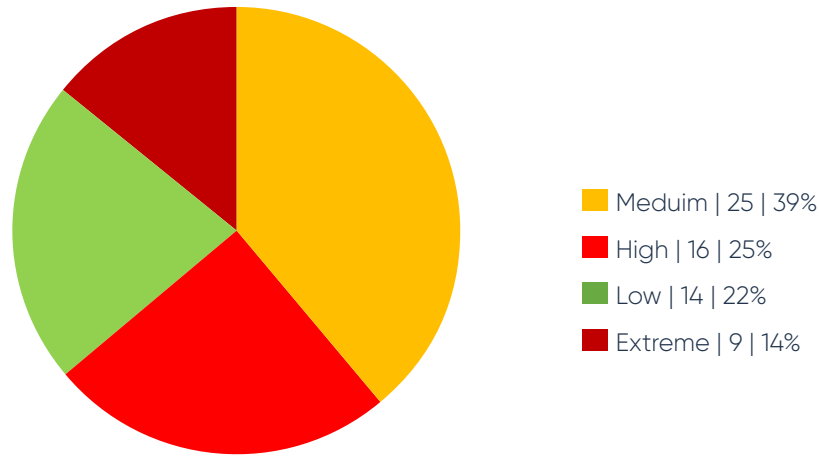
CN has a robust and established program for implementing and monitoring controls on high-risk actions to be implemented within agreed deadlines. Progress is actively monitored, and overdue actions are reported to the Governance and Risk (Executive) Committee (GREC) and to this Committee.

This graphical presentation provides an overview of the audit actions raised, closed, and reported to the Committee during 2023/24:

Audit Action 1 Jul 23 to 30 Jun 24



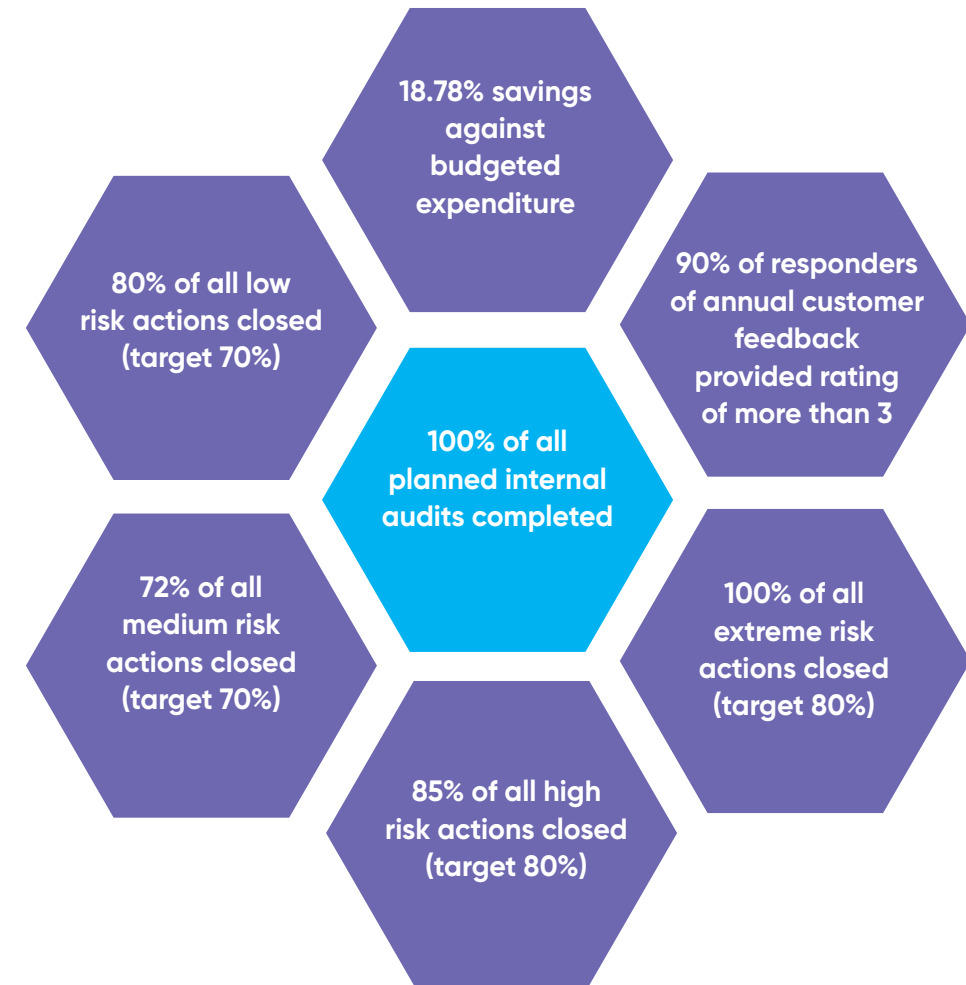
Open audit points by risk



Audit	Open actions 1 July 2023	New actions raised	Actions completed	Remaining actions 30 June 2024
Fleet Management	3	-	1	2
IT Governance and Strategy	1	-	1	-
Procurement < \$250,000	1	-	1	-
Project Management	7	-	7	-
Cloud Services and IT Service Contracts	11	-	11	-
Summerhill Waste Levy	10	-	7	3
Summerhill Environmental Compliance	6	-	4	2
Debtors Management Summerhill	-	3	3	-
Employee Performance and Recruitment Audit	-	10	5	5
Key System Controls	-	18	-	18
PCI DSS Compliance Review 2024	-	11	4	7
Special Business Rates (Expenditure)	-	10	-	10
Tendering and Contract Compliance	-	19	2	17
Total	39	71	46	64

Internal Audit Performance

The following key performance indicators ensure compliance with the standards of the International Professional Practice Framework (IPPF) for Internal Auditing (the Standards) and provide CN's Executive Leadership Team and the Committee with assurance on the effective operation of the internal audit function.





5. Enterprise Risk management

CN's approach to Enterprise Risk Management (ERM) is aligned to ISO 31000:2018 Risk Management and the Office of Local Government Guidelines. During the reporting period the ERM Framework continued to be embedded across CN.

Risk owners and managers are CN's first line, as they are responsible for their risks and the internal controls related to mitigating those risks. The Enterprise Risk Team and the GREC functions are CN's second line, providing expertise, support, advice and effective oversight or challenge to the management of risk on behalf of the CEO and Executive Leadership Team. Internal audit is CN's third line, providing an independent assurance function that the risk management and governance (including internal controls) are working as designed to protect the interests of CN and regulatory compliance. The Enterprise Risk Team reports to ARIC on a quarterly basis.

Risk Reviews

The following risk reviews were conducted by the Enterprise Risk Team over the 2023/24 period. This involved 45 meetings with management within the service unit to ensure that operational risks are appropriately captured and controls effectiveness reviewed.

- 1 Project Management Office
- 2 Legal and Governance
- 3 Finance, Property and Performance
- 4 Community and Recreation
- 5 Information Technology
- 6 Media, Engagement, Economy and Corporate Affairs

Enterprise Risk Performance

Activities that are undertaken in operationalising the Enterprise Risk Management framework are represented below. These are inter-related and will evolve as the risk maturity of the organisation continues to progress.



Risk Actions monitoring program

CN Risk Action monitoring program progressively monitors the evolution and/or closure of actions. Reporting is provided to GREC and ARIC on a 6 monthly basis.

Service Unit	Review	Open actions 1 July 2023	New actions raised	Actions completed	Actions open 30 June 2024
People and Culture	Apr-23	42	7	24	25
Project Management Office	Jun-23		14	9	5
Legal and Governance	Aug-23	2	30	10	22
Finance, Property and Performance	Aug-23	1	27	11	17
Community and Recreation	Sep-23		25	11	14
Information Technology	Apr-24		58	3	55
Media, Engagement, Economy and Corporate Affairs	May-24		19		19
Total		45	173	68	157

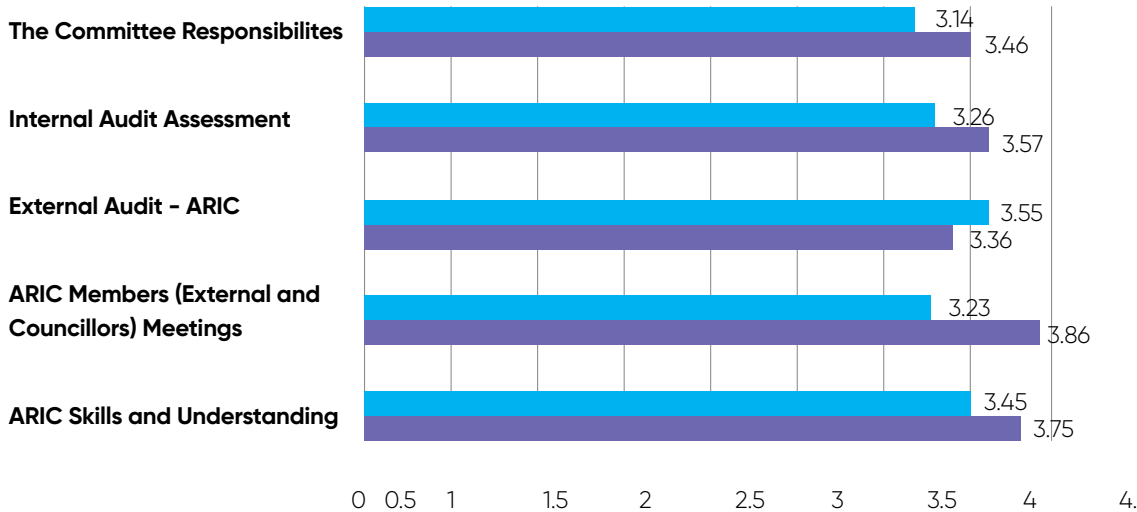
6. External Audit

Annually, the Committee receives a report from the external auditor (Audit Office NSW) on the status of CN's financial statements. Audit Office Representatives act as advisors at Committee meetings.

In October 2023, the Committee received and discussed the 2022/23 audited financial statements from the Audit Office NSW.

Report to Audit, Risk and Improvement Committee on 12 December 2024

Self Assessment Performance



Rating:
 0.0 Strongly disagree - Below standard
 1.0 Disagree - Poor
 2.0 Neutral
 3.0 Agree - Good
 4.0 Strongly Agree - Exception

Key
■ 23/24
■ 22/23

7. Committee Performance

Overall the Committee has maintained an overall "good performance" in achieving its objectives under the Committee Charter.

In accordance with the Committee's Charter, the Committee completed a self-assessment for 2023/24 which was designed to assess the Committee's performance in the following areas:

- Climate Change
- Cyber Security
- Psychosocial Risk
- Focus on improvement measurement data, supporting the "I" in ARIC, finding ways to contribute directly to the elected body
- Bedding down new ARIC framework. Exploring what "I" - Improvement - means for CN and ARIC oversight

This feedback is being reviewed to be incorporated into future Committee agendas and the forward internal audit program as required.

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