



**Lithgow City Council
Audit, Risk and Improvement Committee**

**2024-25
Annual Report
to Council**

Report prepared by the Chair of the
Lithgow City Council Audit, Risk and Improvement Committee

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1. Introduction

The Terms of Reference (“TOR”) for the Audit, Risk and Improvement Committee (“Committee”) adopted by Lithgow City Council (“Council”) requires the Committee to provide an annual assessment to Council each year.

This report covers the period of the financial year of 2024-25. Prior to its submission to Council, the report was reviewed and endorsed by the Members of the Committee.

The Committee has been established and supported by Council as a key component of its governance framework. The Committee’s TOR has been developed with reference to guidelines issued over time by the NSW Office of Local Government (“OLG”).

The TOR sets out the roles and responsibilities of the Committee, its authority and operational guidelines, membership and the tenure of its members, and their reporting responsibilities. Initially adopted by Council on 26 April 2022, the TOR is required to be reviewed annually by the Committee with substantive changes recommended to Council for adoption.

The first annual review was undertaken by the Committee in June 2023 which resulted in some minor amendments. Following the finalisation of the OLG’s *Guidelines for Risk Management and Internal Audit for Local Government in NSW* (“Guidelines”) in December 2023, the Committee’s annual review in April 2024 resulted in further minor amendments as well as some operational improvements. Council adopted the revised/updated version on 22 July 2024, though some minor/insignificant amendments were subsequently made with Committee endorsement and the approval of the General Manager in September 2024. The required annual review by the Committee will take place at the September 2025 meeting, though no substantive amendments are expected.

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2. Audit, Risk and Improvement Committee Report

2.1 Committee Membership

During the reporting period, the core membership of the Committee comprised of three voting Independent Members (with one appointed as the Chair by Council) and one non-voting Councillor Member.

Independent Members are appointed for a specified term by Council following selection through an expression of interest process.

Disclosure of Pecuniary Interests forms are submitted annually by ARIC Independent Members.

The Committee Members during the period covered by this report were:

Independent Members (voting):

- Ron Gillard – Chair (appointed 25 September 2023, Member since 24 May 2022)
- Kylie McRae (since 24 April 2023)
- Deborah Goodyer (since 25 September 2023)

Councillor Members (non-voting):

- Cr Darryl Goodwin – Deputy Mayor (through 14 September 2024)
- Cr Steve Ring – Deputy Mayor (since 8 October 2024)

Background of Independent Members:

Ron Gillard has attained a broad range of commercial experience in the Australian manufacturing and investment sectors, as well as from participating in significant business ventures in Australia, the US and Europe. Since commencing his management consulting business in 2005, he has also held a number of honorary executive positions on boards and/or committees for not-for-profits, community organisations, and other institutions. At various times during this same period, Ron has been appointed as an Independent Member or Chair to Audit, Risk and Improvement Committees of twenty-two regional and rural councils and/or JO's. He is currently the Chair of three and a Member of a further six (with one shared ARIC representing five of the total current). Ron holds a Masters Degree in Commerce.

Kylie McRae is an experienced governance, risk, assurance and integrity professional with 30 years' experience. She leads the Quality Services arm of the Institute of Internal Auditors – Australia and has held several Chief Audit Executive and Chief Risk Officer roles in both the public and private sectors. Kylie has a range of qualifications including a Master of Business Administration (Executive), Bachelor of Commerce, Certified Internal Auditor and Certified Practising Accountant. She is a fellow of the Institute of Internal Auditors Australia (PFIIA), CPA Australia (FCPA) and the Governance Institute of Australia (FGIA). She is also a graduate member of the Australian Institute of Company Directors (GAICD). Kylie is currently a member of ten local government audit risk and improvement committees, including three as Chair, and on the Board of a charity. She has previously held several board positions on both corporate and not for profit organisations.

Deborah Goodyer is a CPA and Certified Internal Auditor with extensive experience in internal audit at a strategic/management level over 30 years within local government and more broadly within state and federal government. She has held roles of Chief Audit Executive and internal audit and corruption prevention manager. She currently undertakes work as an external consultant and as Chair of three NSW council ARIC's and Member of four others including Lithgow. Deborah has experience and expertise in various business and functional areas, including strategic governance, financial and risk management and fraud and corruption management. She provides pragmatic advice and solutions working collaboratively to improve the integrity and sustainability of the organisations she works with. Deborah is qualified to perform external quality assurance reviews of internal audit functions and has established internal audit frameworks in accordance with IIA standards and regulatory requirements including the OLG Regulation and Guidelines.

2.2 Committee Meeting Attendance

The table below sets out the meetings of the Committee held during the reporting period and the attendance of Committee members at these meetings.

Meeting Date	Ron Gillard	Kylie McRae	Deborah Goodyer	Cr Goodwin	Cr Ring
3 rd Sep 2024	✓	✓	✓		
10 th Sep 2024	✓	✓	✓	x	
10 th Dec 2024	✓	✓	✓		✓
26 th Mar 2025	✓	✓	✓		✓
3 rd Jun 2025	✓	✓	✓		✓

Table 1: Summary of Committee Meetings and Member Attendance

The meeting of 3rd September 2024 was held as a 'special meeting' to review the Council's draft financial statements prior to the drafts being referred to audit.

The General Manager, Director Finance & Governance (since 26 March 2025), Acting Director Finance & Governance/Financial Services Manager, and Governance & Risk Manager (10 September 2024 and 26 March 2025 only) attended the above meetings as Officers (non-voting), along with other Council staff invited from time to time. A representative of the Audit Office of NSW and/or their external audit contractor(s), as well as the newly appointed Internal Audit Service Provider, have attended (at a minimum) their respective agenda items at each of the 'ordinary' meetings above.

2.3 Role of the Committee

The primary role of the Committee, as required under section 428A of the *Local Government Act 1993 (NSW)* (the “Act”), is to review and provide independent advice to Council regarding the following aspects of 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 Council; and
- internal audit.

In addition, the Committee:

- must also provide information to Council for the purpose of improving Council’s performance of its functions;
- must fulfil its specific responsibilities under section 428A of the Act as outlined in Schedule 1 of the TOR;
- acts as a forum for consideration of Council’s internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively;
- acts as a forum for the consideration of external audit findings;
- is directly responsible and accountable to the Governing Body for the exercise of its responsibilities; and
- recognises at all times that the primary responsibility for the management of Council rests with the General Manager and the Governing Body.

The Committee achieved this by:

- examining and commenting on Council’s enterprise risk management framework and practices, including review of internal control mechanisms;
- reviewing financial reporting, including reviewing the work of Council’s external auditors;
- monitoring legislative compliance, including compliance with policies and guidelines issued by the Office of Local Government;
- developing, executing and monitoring a four year workplan for each Council term to ensure that all matters listed in Schedule 1 of the TOR are reviewed by the Committee and considered by the internal audit function when developing their risk-based program of internal audits;
- reviewing the work of Council’s internal audit function, including achievement of Council’s Strategic Internal Audit Plan and advising management on the annual and long term

program of internal audits, as well as overseeing progress with the implementation of the recommendations of completed audits;

- monitoring progress of internal process improvement projects, including the implementation of internal and external audit recommendations;
- provide advice on the scope of each project to ensure that each audit or review addresses the breadth of detail expected; and,
- reporting to Council on significant governance, risk, and internal control issues.

2.4 Internal Audit

Building on the prior year's appointment of the Governance & Risk Manager and the initial discussions and development of the proposed 'hybrid model', the Committee revisited the proposed Internal Audit Function early in the reporting period as it became apparent that Council's internally available resources were somewhat limited and did not adequately possess the qualifications, skill set, nor experience to fulfil the responsibilities of the Function to the Committee and to the Council as a whole. In response, the Internal Audit Function was promptly reassessed and defined to operate as an 'outsourced model' that would require all of the internal audit activities to be undertaken by a qualified and experienced external service provider.

Similar to the previous proposal, Council sought to resource this via the appointment of a multi-year contracted external service provider. In consultation with Council and the Committee, this provider would commence their appointment with the development of a strategic internal audit plan for the current council term based on Council's deemed risks and priorities. Following the plan's endorsement and adoption by the Committee and Council respectively, in compliance with the Global Internal Audit standards, the provider would then undertake the prioritised internal audits in the plan, subject to an annual review/confirmation.

A duly revised draft EOI document for an external provider of internal audit services was reviewed and finalised out of session following the September 2024 Committee meeting, and published on Vendor Panel in early December 2024, as well as via directly inviting five (5) suitably qualified and experienced service providers to participate in the process. An evaluation panel, comprising of one (1) Independent Member and three (3) key Council staff, assessed the submissions in early 2025 with the appointment finalised in early April 2025.

Internal Audit Plan

The annual review of Council's previously adopted '4 Year Internal Audit Plan' from 2021 was again deferred pending the completion of the EOI process above. Unexpected events and resourcing limitations at Council have delayed the initial development and drafting through the end of the reporting period. The Committee is continuing to work with management and external service provider to finalise and adopt the new Annual and Strategic Internal Audit Plans as soon as possible.

Independent of the audit planning process, the Committee at the March 2025 meeting had agreed with Council's proposal to initiate an internal audit of the Project Management Framework in light of collective concerns around the 'Main Street Revitalisation' project. While the audit plan is yet to be finalised, this audit project has been prioritised to occur early in the 2025/26 year, with audit scope to be agreed at the September 2025 meeting. This will allow the external service provider to promptly commence their audit work on this project should the audit plan(s) require further refinement prior to the Committee's and Council's adoption.

Internal Audits Undertaken During 2024/25

- Procurement (audit undertaken in late FY24, with final report issued in July 2024)

Progress of Internal Audit and External Review Recommendations/Actions

Progress against agreed actions resulting from the recommendations of internal audit reports and historical external reviews are reviewed at every Committee meeting, with any necessary revisions to targeted implementation dates approved by the General Manager and noted by the Committee.

Number of Actions:	2024/25	2023/24	2022/23*
Open at start of period	32	40	
Added from audits completed during period	19	26	
Resolved/addressed during period	-17	-34	
Open at end of period	34	32	40
<i>Total Actions Overdue</i>	<i>nil</i>	<i>nil</i>	<i>nil</i>

*2022/23 period analysis not available

Acknowledging the impacts of changes and resource limitations experienced by Council over the reporting period, the Committee is satisfied with the quality of internal audit work undertaken, the reported outcomes, and management's response/progress toward corrective action where necessary.

Other Internal Audit and Self-Assessment Activities

During the reporting period, the Committee:

- reviewed and updated the previously adopted (22 April 2024) Internal Audit Charter to correct the 'hybrid' model to an 'external provider' model. The revised Charter was updated and endorsed by the Committee in December 2024, then adopted by Council on 28 January 2025;
- requested and reviewed internally resourced gap analysis performed following Audit Office of NSW ("AONSW") performance audits and ICAC findings/recommendations in areas of:
 - ICAC – Operation Hector (procurement)
 - AONSW – Road Management
 - ICAC – Operation Mantis (recruitment and procurement)
- reviewed the internal management review on the communications of the loss of the BBRF grant for the Main Street Footpath Revitalisation Project;
- recommended that an internal audit be undertaken on Council's project management framework, and to include the Main Street Footpath Revitalisation Project as part of the sample; and
- monitored progress of the findings of the Asset Management Audit facilitated by Central NSW Joint Organisation utilising the National Asset Management Assessment Framework ("NAMAF")

Independent Assessment of the Internal Audit Function

As part of the framework for the professional practice of internal auditing (IPPF) it is expected that an independent assessment of the internal audit function be performed to ensure that the practice of internal auditing is occurring in accordance with professional standards. The new Guidelines also require this to occur once every term of council. Given the recent changes and Council's infancy in the development of its Internal Audit Function, it is appropriate at this time to defer any consideration of an effective review to the second half of the next council term.

2.5 Enterprise Risk

Risk Management Framework and Risk Register

Work is continuing on the Risk Management Framework following the maturity review undertaken in March 2023, and is regularly monitored by the Committee. Key framework and policy documents have been developed and adopted by Council.

The Committee is routinely informed about any issues or matters that have arisen since their last meeting that could affect Council's risk profile. As part of the Framework progress, the Committee receives an annual presentation of Council's risk register, however disruption to resourcing has delayed progress of this for the current reporting period. Between the annual presentations, the Committee is advised summarily at each meeting of any/all changes to the risk register and/or Council's risk profile that have occurred since their last meeting.

The Committee will continue to monitor and review management's identification and assessment of risks to Council, as well as assist Council in the appropriate review and development of a compliant Risk Management Framework.

Business Continuity Plan

Through internal audits and other indirect reviews, recommendations have been made to Council in respect of improvements to be incorporated into its Business Continuity Plan ("BCP"). A review of the BCP's sub-plans by Council was initiated in early 2024 and was anticipated to be completed before the end of the year. Due to resourcing issues, this review remains outstanding. The Committee will continue to monitor the currency and status of the BCP, including simulation testing of its components from time to time.

2.6 External Audit

The introduction of the *Local Government Amendment (Governance and Planning) Act 2016 (NSW)* gave the Auditor-General the mandate to audit NSW local government. During the reporting period, the AONSW completed the external audit of Council's financial statements for the fiscal year ended 30 June 2024 ("FY24"). The Committee advised the Governing Body that they were not aware of any matter that would preclude Council from adopting the Annual Financial Statements for FY24.

During the year, the Committee also met with the AONSW and/or their contractor and oversaw the delivery of the Annual Engagement Plan for the financial year ending 30 June 2025, as well as monitored Council's progress in addressing the open item actions agreed in response to matters raised in the FY24 and prior External Audit Management Letters.

The AONSW and its contractor are invited to attend and participate in all Committee meetings (by videoconference, telephone, or in person wherever possible) for the full agenda if their schedule(s) permit.

Progress of External Audit Recommendations/Actions

Progress against agreed actions resulting from the recommendations of Audit Management Letters (current and prior years) are reviewed at every Committee meeting, with any necessary revisions to targeted implementation dates approved by the General Manager and noted by the Committee.

Number of Actions:	2024/25	2023/24	2022/23
Open at start of period	19	10	5
Added from audits undertaken during period	18	11	8
Resolved/addressed during period**	nil	-2	-3
Open at end of period	37	19	10
<i>Total Actions Overdue</i>	<i>5</i>	<i>2</i>	<i>nil</i>

** Identified as resolved by Management, but yet to be confirmed by the auditors during the next audit

2.7 Annual Performance Review

It is required by the current TOR for the Chair to initiate a self-assessment based review of the performance of the Committee annually, unless otherwise determined, including appropriate input from management and any other relevant stakeholders.

Given the requirement of this was added during the most recent TOR review that was adopted by Council on 22 July 2024, coupled with the changes during the year to Councillor membership and council staff, the Chair determined not to undertake a self-assessment for this period.

2.8 Other Key Activities Undertaken During the Reporting Period

The Committee continually receives reports and updates on Council activities as they relate to the requirements of section 428A of the Act and the TOR's Schedule 1. During the year, the Committee received the following reports/updates:

- review of existing policies and procedures for currency;
- ongoing monitoring of Council's legislative compliance matters, including adherence to new and amended requirements in compliance and governance, with any 'non-compliance matters' being reported at the standing agenda item;
- review fraud prevention strategies and controls, as well as any fraud assessments and/or incidents;
- review and monitor progress of CNSWJO Cyber Security Framework;
- reviewed the development of an Internal Controls Effectiveness Certification checklist to support the external audit of the financial statements;
- ongoing monitoring of Council's developments/progress in Asset Management and Major Projects;
- regular financial management reporting to Council, including the adequacy of cash management and investment policies;
- progress with service reviews and business improvement, including the implementation of the Service Review Framework;
- reviewed Council's existing corporate structure and delegations;

- consulted with Management regarding the compliance requirements of 'Internal Audit and Risk Management Attestation Statement' for the 2024/2025 financial year;
- review of the Integrated Planning and Reporting Framework, including the adequacy and effectiveness of strategic planning processes and reporting, and the currency of Council's suite of documents; and
- progress of performance data and measurement.

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3. Committee Priorities for 2025/26

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

- monitor and review the adopted four year workplan for the current council term covering all of the Committee’s responsibilities contained within Schedule 1 of the TOR, and to ensure they are fulfilled on a cyclical basis;
- monitor and review Council’s internal audit function/model;
- assist in the development and adoption of the Annual and Strategic Internal Audit Plans for 2025/26 and the remainder of the current Council term;
- monitor the internal audit projects to ensure they are completed in a timely manner;
- monitor management’s responses to all external and internal audit findings and recommendations, and to advise on the appropriateness of the responses and proposed implementation timeframes;
- assess the benefits/effectiveness for Council in utilising the additional ‘special meeting’ of the Committee for reviewing the draft and/or audited financial statements;
- monitor the continued development and implementation of the risk management framework;
- monitor and review the Council’s risk registers and risk profile;
- monitor the arrangements to review and test Council’s BCP and IT disaster recovery plans; and
- receive and question the functional heads of Council from time to time to provide real-time updates on programs, initiatives, risks and controls from their operations.

Ron Gillard

Chair – Lithgow City Council Audit, Risk and Improvement Committee
9th September 2025