



FOREWORD

This annual report provides commentary on the operations and activities of the Audit Committee (Committee) for the 2022 to 2023 financial year.

The Port Stephens Council (PSC) local government area covers 860 sq km with 220 sq km (23%) National Park, State Forest and Nature Reserves. It has a resident population of 76,540 which is estimated to rise to 82,050 by 2041.

PSC has 580 (EFT) staff and an operational budget of \$129M plus a capital works program of \$61M.

At its meeting held on 9 February 2010, Port Stephens Council (PSC) resolved to establish a Section 355c Audit Committee in accordance with the Office of Local Government's Best Practice Guidelines 08/64.

The charter objective of the Committee is to enhance the corporate governance of PSC through the provision of independent oversight, review and advice. The Committee assists Council by providing independent assurance and assistance on the organisation's governance, risk, control and compliance frameworks.

AUDIT COMMITTEE STRUCTURE AND MEETING ATTENDANCE

The Committee has 5 voting members. Three are independent members in accordance with the Office of Local Government's Best Practice Guidelines, and 2 Councillors represent Council on the committee, with 1 additional Councillor appointed as an alternate delegate.

Non-voting members include the General Manager, group managers, the Financial Services Section Manager, the Governance Section Manager and Enterprise Risk Manager. Representatives from Council's internal audit provider PKF and external audit provider (former RSM Australia Pty Ltd and current Prosperity Advisors Group) also attend meetings as required. The Audit Office's Financial Audit Director attends meetings as appropriate.

A quorum was available for the 4 meetings held during the 2022 to 2023 period. The meetings were held on 28 July 2022, 6 October 2022, 23 February 2023 and 25 May 2023.

A list of Audit Committee members and non-voting members for 2022 to 2023 is detailed below noting the number of meetings attended by each member.

Voting Members	Number of meetings attended
Mr Ben Niland (independent Chair).	3
Mr Frank Cordingley (independent member).	4
Mr Shaun Mahony (independent member).	4
Councillor Leah Anderson.	4
Councillor Chris Doohan.	2
Councillor Glen Dunkley (alternate delegate).	0



Non-voting Members	Number of meetings attended
General Manager (or representative).	4
Corporate Services Group Manager (or representative).	4
Development Services Group Manager (or representative).	4
Facilities & Services Group Manager (or representative).	4
Financial Services Section Manager.	4
Governance Section Manager.	4
Enterprise Risk Manager	4
Internal Auditor representative.	4
External Auditor representative.	3
Financial Audit Director (Audit Office).	2

COMMITTEE'S PERFORMANCE REVIEW

The Committee continues to perform well overall against the core responsibilities contained in its charter. The Council is benefiting from a stable, skilled and experienced membership that is suitably qualified and works in a collegiate fashion.

Annual survey results are reported separately to the Committee. Completed by 5 respondents results of the 2022-2023 annual review showed that participants agreed that the Committee performed well against its core responsibilities.

SUMMARY OF RECOMMENDATIONS

The Audit Office made 2 recommendations in its external audit management letter for 2022, which was received in the 2022 to 2023 period.

1. Council's use of the consumption curve-based depreciation methodology

Recommendation: Management should:

- ensure the useful life estimates used under the consumption curved-based depreciation methodology are supported by Council's existing asset management data and plans.
- work with the audit team to complete the audit's review of depreciation methodology before 30 June 2023.

Management response: Disagree. Port Stephens Council has adopted the asset consumption method for some considerable time and has the appropriate supporting documentation to support its continued use. The use of this method has been vetted & accepted by multiple audit firms in the past, by external asset experts as well as being developed with the Institute of Public Works Engineering Australasia NSW Asset Management Panel. Asset consumption depreciation is widely considered to be best practice.

2. Enhancement of IT access management procedures



Recommendation: Management should perform user access reviews (privileged and general users) more frequently, preferably once a month.

Management response: Disagree. Council considers the current control of a 6 monthly review of system accesses is appropriate for the inherent risks and have been assessed. Council is confident that with our low turnover rates & our processes committed to the change management process controls the risk to acceptable levels.

There were 13 internal audit recommendations provided to the Committee as part of 6 internal audit reviews undertaken during this reporting period.

The following internal audit reviews were completed during the period, with no serious internal control weaknesses identified.

Audit Review	Risk Rating
Environmental risk	Low-Medium
Elected members reimbursements	Low
Risk management framework	N/A
Compliance Audits	
National Heavy Vehicle Accreditation Scheme	
RMS DRIVES	

OPINION: RISK/CONTROL FRAMEWORK

A key role of the committee is to review and monitor the effectiveness of the key controls in place to manage and mitigate the risks encountered by Council. These matters include operational, strategic, financial and fraud control environments, as well as ensuring adequate insurance coverage and business continuity planning.

During 2022 to 2023 the committee considered the high priority risks facing the organisation and monitored risk treatment plans established by management to reduce or mitigate those risk exposures.

Material risks in 2022 to 2023 have been dominated by the influence of the COVID-19 pandemic and natural disaster on Council's operations and the local government area (LGA). Those material risks included:

- Natural disaster (including pandemic and flooding) affecting the local government area.
- Financial risk regarding revenue streams.
- Injury to workers – including consideration of greater work-from-home presence and distancing implications on the workforce and operations.
- Effective management of contracts and contractors.
- Strategic and operational impacts of State and Federal government decisions (notably during COVID-19 pandemic period).
- Quality of data and management systems for effective decision-making.
- Relationships between Councillors and/or management.

SUMMARY OF WORK – HIGHLIGHTS

RISK MANAGEMENT

- Received and reviewed Enterprise Risk reports focusing on the high priority risks facing the organisation and monitored risk treatment plans established by management to reduce or mitigate those risk exposures.

CONTROL FRAMEWORK

- Received and reviewed relevant policy, directives and procedures as required.

EXTERNAL ACCOUNTABILITY

- Completed a review of the financial statements prior to submission to the Office of Local Government.

COMPLIANCE

- Noted information provided in presentations and reports on credit cards in Local Government.
- Noted EFT Audit of payments made to employee bank accounts.

INTERNAL AUDIT

- Reviewed and endorsed the internal audit plan.
- Reviewed internal audit actions and implementation.
- Noted results of 3 completed internal audit reviews. No serious internal control weaknesses were reported.
- Noted results of 2 completed compliance audits.

EXTERNAL AUDIT

- Received and noted the Annual Engagement Plan.
- Reviewed the management letter and ensured corrective action was established in a suitable action plan.

LEGAL MATTERS

- As at 11 May 2023: 7 legal matters remained before the Courts; 4 matters remained with NCAT, and 8 court elected infringement notices are set to be heard before the Local Court.

COST OF AUDIT ACTIVITIES

- The total cost to Council for audit activities for the period is \$172,063 compared to \$150,645 for the previous 2021 to 2022 period.



COMMENTS

1. The committee is very satisfied with the improvements made in the risk management space of Council's operations this year. On the back of the introduction of the new software package (ProTecht) last year, the reporting information has been well received by the Committee and provided a greater level of oversight.
2. The committee thanks the non-voting members (staff) for their regular attendance and willingness to be involved in open discussions with voting committee members.
3. This report will be the final report provided by me as part of this committee. I have enjoyed the collegiality of former voting members, the staff, the auditors, various subject matter experts providing advice to the committee. On reflection of 10 years being part of this committee, I believe the work of the group is of a high standard and monitors key risks well with staff never being afraid to discuss difficult or complex matters. I wish the future committee well in its future endeavours.

Ben Niland

18/09/2023

BEN NILAND – CHAIR

DATE