



## **FOREWORD**

This annual report provides commentary on the operations and activities of the Audit Committee (Committee) for the 2019 to 2020 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 71,118 and is estimated to rise to 80K by 2031.

PSC has 500.16 (EFT) staff and an operational budget of \$122M plus a capital works program of \$25.45M.

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 an 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 Risk Management Coordinator. Representatives from Council's internal audit provider PKF and external audit provider Pitcher Partners also attend meetings as required. The Audit Office's Financial Audit Director attends meetings as appropriate.

A quorum was available for 3 of the 4 meetings held during the 2019 to 2020 period. While a quorum of members was not achieved for the 27 February 2020 meeting it was agreed that the meeting would continue on an informal basis, with the outcomes of the meeting presented to the 28 May 2020 meeting for confirmation. The meetings were held on 25 July 2019, 17 October 2019, 27 February 2020 and 28 May 2020.

A list of Audit Committee members and non-voting members for 2019 to 2020 is detailed below noting the number of meetings attended by each member.

<b>Voting Members</b>	<b>Number of meetings attended</b>
Mr Ben Niland (independent Chair).	3
Mr Frank Cordingley (independent member).	4
Mr Shaun Mahony (independent member).	4
Councillor Chris Doohan.	1
Councillor Glen Dunkley.	2
Councillor Ken Jordan (alternate delegate).	1



<b>Non-voting Members</b>	<b>Number of meetings attended</b>
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	3
Internal Auditor representative.	4
External Auditor representative.	3
Financial Audit Director (Audit Office).	1

#### **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 11 respondents results of the 2018-2019 annual review showed that participants either agreed or strongly agreed that the Committee performed well against its core responsibilities.

#### **SUMMARY OF RECOMMENDATIONS**

The Audit Office raised 10 recommendations in its external audit management letter for 2019 – all were completed during the 2019 to 2020 period.

<b>COMPLETED Actions</b>	
<b>Issue</b>	<b>Recommendation</b>
IT – information and security governance.	Include cyber section in management directive.
IT – work order project.	Complete issues register.
IT – change management.	Include change management requirements in management directive.
IT – logical security.	Develop an appropriate register.
IT – asset management process.	ICT assets be identified and tracked.
Payroll – Masterfile data.	Develop a new audit trail report.
Payroll – terminating employees.	Develop a new audit trail report.
IT – Civica audit logs.	Develop audit log of access to systems.
Payroll – higher duties status removal.	Manager review.



#### **COMPLETED Actions**

Rates – charges to rateability status.	Process improvement.
--	----------------------

There were 13 internal audit recommendations provided to the Committee as part of 5 internal audit reviews undertaken during this reporting period. All actions were identified as a 'low' risk.

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

<b>Audit Review</b>	<b>Risk Rating</b>
Contractor Management	L
Payroll and Leave Management	L
Project Funds	L
Cash Handling	L
National Heavy Vehicle Accreditation Scheme	L

#### **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 2019 to 2020 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 2019 to 2020 have been dominated by the influence of the COVID-19 pandemic on Council's operations and the local government area (LGA). Those material risks included:

- Natural disaster (including pandemic and bushfire) affecting the local government area.
- 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 pandemic period).
- Quality of data and management systems for effective decision-making.
- Relationship breakdown between Councillors and/or management.

#### **SUMMARY OF WORK – HIGHLIGHTS**

##### **RISK MANAGEMENT**

- Received and reviewed quarterly risk management 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**

- Considered audit arrangements for 2019 to 2020.
- Noted Audit Office, Fraud Control Systems.
- 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

- Considered corporate credit card report and compliance.
- Noted the analysis of total supplier payments for 2019 to 2020.
- Noted results of an EFT and employee bank account review.

INTERNAL AUDIT

- Reviewed and endorsed the internal audit plan.
- Reviewed internal audit actions and implementation.
- Noted results of 5 completed internal audit reviews. No serious internal control weaknesses were reported.

EXTERNAL AUDIT

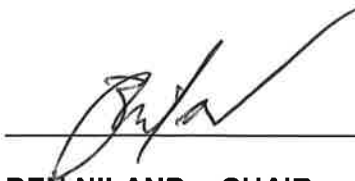
- Received and noted the Annual Engagement Plan.
- Reviewed the management letter and ensured corrective action was established in a suitable action plan.

LEGAL MATTERS

- As at 30 June 2020: 4 legal matters remained before the Courts; 2 matters remained with NCAT, 1 matter set before the Local Court – Small Claims Division, and 5 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 \$155,684 compared to \$134,442 for the previous 2018 to 2019 period.

  
\_\_\_\_\_  
**BEN NILAND – CHAIR**

15/10/2020.  
\_\_\_\_\_  
**DATE**