

## AUDIT COMMITTEE

The Lands' Audit Committee (the Committee) has been established to enhance the effectiveness of the internal control systems within Lands.

The primary objective of the Committee is to assist the Director General in fulfilling his corporate governance and overseeing responsibilities in relation to Lands' financial reporting, internal control structure, risk management systems, legal compliance, and the external and internal audit functions. Specifically, the Committee is responsible for:

- The oversight of Lands'
  - financial management and reporting practices
  - business ethics, policies and practices
  - accounting policies
  - risk management systems and internal controls
  - compliance with legal and regulatory obligations

- Providing a structured reporting line for internal audit and facilitating the objectivity of the internal auditor
- Providing a forum for communication between the Director General, senior management and both the internal and external auditors
- The oversight of reports on key results of audits of the internal control system and outcomes from those audits
- Review and recommendation to the Director General, of the internal audit plans, coverage of internal control, staffing and budgets related to the internal audit function
- Communication and coordination with the external auditor, and
- Improving the quality of internal and external reporting of financial and non-financial information and reports.

## Members and attendance at meetings

The Committee comprises two independent members, one of whom presides as Chairman, and three internal members. The term of appointment for the two independent members is on an annual basis. The five members provide expertise in financial management, business development, legal matters, audit and property information. The Committee held five formal meetings during the year.

Members of Audit Committee	Position	Attendance
Joanne Rees	Chair, external member	5 meetings
Ron Cunningham	External member	5 meetings
Des Mooney	Deputy Director General	5 meetings
Philip Western	Valuer General	3 meetings
Eduardo Alegado	Director Corporate Governance	5 meetings



**Auditing of the organisation**

The internal audit function, which the Corporate Governance Unit manages, is a fundamental element of the corporate governance structure within Lands. Its mission is to provide an innovative, responsive, independent, objective assurance and advisory service designed to add value and promote continuous improvement of Lands' operations to enable the department to accomplish its objectives and statutory obligations. Further, internal audit also aims to raise awareness of risk and provide counsel to management in order to assist in enhancing the performance of Lands.

The main role of Internal Audit is to provide the Director General, management and the audit committee with regular objective and professional opinions on Lands' systems of internal control. Internal Audit does this by reviewing control procedures, within the terms of relevant policies and procedures, Acts, Regulations, relevant government directives and best practice guidelines.

A total of seventeen planned reviews were completed during the financial year 2005/06.

Some of the key internal audit reviews conducted during the period include:

- IT Major Systems – Administration and Knowledge Capture
- Torrens Assurance Fund
- Crown Lands Reserve Trust Reviews
- Service Level Agreements to the Valuer General.

The Corporate Governance Unit is also responsible for overseeing a structured program of external audits undertaken by the Audit Office of New South Wales.

**RISK MANAGEMENT**

Lands is committed to the implementation and maintenance of a Risk Management framework in managing its risks, to minimise adverse effects and enhance its potential in meeting its responsibilities and the achievement of its vision, objectives and goals.

The execution of Lands' Risk Management policy has been delegated by the Director General to the executive team and senior management and it is the responsibility of these officers to implement risk management processes and maintain sound risk management practices within their areas of responsibility in accordance with the policy.

The Director, Corporate Governance, is responsible for facilitating risk management within Lands. The Director also sits as a Committee member on the Public Sector Risk Management Association, which incorporates 160 agencies within the NSW Public Sector.

The process for managing risk in Lands is consistent with the process contained in the Australian Standard on Risk Management AS/NZS 4360:2004, and is based on the following:

- management of risk in a holistic way, at both strategic and operational levels
- an organisational culture that encourages the maximisation of opportunities for organisational growth
- integration and alignment of risk management with corporate planning to ensure that opportunities are considered when the future direction of the organisation is being set
- integration and alignment of risk

management with performance agreements, project management and other existing management processes to ensure risk management is an integral part of decision making

- assignment of responsibility for managing specific risks to senior executive staff through their performance agreements
- application of the risk management process, based on the Australian Standard on Risk Management, consistently across Lands using a common risk language
- involvement of all Lands business unit managers to create an environment of commitment to and responsibility for managing risk at all levels of the organisation
- provision of support to all staff in the effective implementation of risk management processes in their areas of responsibility
- reporting of significant risks through formal documentation to the Lands Audit Committee and the Lands executive team on a regular basis.

**CORPORATE GOVERNANCE UNIT HIGHLIGHTS FOR 2005/06**

- Provided awareness and facilitated Lands' integrated risk management policy and framework
- Enhanced Lands' governance related policies
- Managed and implemented a comprehensive internal audit program
- Supported and managed Lands response to issues arising from external regulatory bodies
- Managed investigations into corrupt conduct and other related matters
- Supported the functions of the Lands Audit and Risk Committee
- Provided strategic advice on a number of key projects and management issues
- Reviewed and enhanced the Audit Committee Charter.

**Future Challenges**

- Continue to facilitate the development of the Lands Fraud Prevention Strategy
- Develop an annual strategic audit plan
- Enhance Lands' complaints handling process
- Develop an Online Risk Management learning module.