

ANNUAL REPORT OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE

For the financial year ended 30 June 2018

This report is submitted to the Mayor and Councillors of the Tweed Shire Council (the Council) to report on the activities of the Audit Risk and Improvement Committee (the Committee) for the financial year ended 30 June 2018.

Role of the Committee

The Committee was previously named the Audit Committee. Following legislative changes in August 2016, the name of the Committee was changed to the Audit Risk and Improvement Committee and additional responsibilities were imposed on the Committee.

In July 2017 an amended Audit Risk and Improvement Committee Charter was adopted by the Council. The Charter states the Objective of the Committee is to provide independent assurance and assistance to Council on risk management, control, governance and external accountability responsibilities.

The following aspects of Council's operations fall within the Committee's objectives: compliance, risk management, fraud control, financial management, governance, implementation of the strategic plan, delivery programs and strategies, service reviews, collection of performance measurement data by Council and any other matters prescribed by the Regulation.

In addition, the Committee objectives states that the Committee will provide information to the Council for the purpose of improving the Council's performance of its functions.

Members of the Committee

The Committee comprised the following members during the financial year:

Mr Colin Wight	Chairman and Independent member
Mr Andrew MacLeod	Independent member
Mr Brian Wilkinson	Independent member

Cr James Owen	Councillor member
Cr Warren Polglase	Councillor member

All members have formally confirmed their independence and compliance with the Tweed Shire Council Code of Conduct throughout the year

Committee Operations

The Committee operates under the Charter determined by the Tweed Shire Council. It is advisory in nature and has no executive powers other than as expressly provided by the Council

The Committee Meeting Agenda items are linked to and guided by the objectives of the Audit Risk and Improvement Committee described in the Committee Charter.

The Committee met on five occasions during the year. Where appropriate and at the invitation of the Chairman, Council officers attended the meetings to assist the Committee in undertaking its role. Representatives of the external auditors, being the Auditor General and their appointed contractors, Thomas Noble and Russell were invited to all meetings and attended for parts of the meetings in person or by telephone

Formal reports have been submitted to the Committee on matters requested and an open dialogue has existed between all parties.

The Committee liaises closely with the Internal Auditor who attends all Committee meetings and plays an integral role in assisting the Committee.

The Committee has reviewed and considered a range of comprehensive reports through the financial year on various aspects of Council's operations. Based on the activities undertaken by the Committee, following are its conclusions:

1. Governance

- The Committee reviewed its Charter and established an annual Committee calendar to guide its' operations
- A review of the Committee's performance and a Committee Annual Report were prepared and reported
- The Committee Chair liaised regularly with management and reported on his attendance at the ARIC Chairs Annual Forum facilitated by the Audit Office NSW.

2. Risk Management

- Management through its Enterprise Risk Management Committee has continued to advance the development of the risk management culture and processes. A current and comprehensive risk management framework and associated procedures for effective identification and management of business and financial risks, including fraud has been put in place and is continuing to mature.
- The minutes of the Enterprise Risk Management Committee are reported to the Audit Risk and Improvement Committee and enables that Committee to monitor progress and issues
- As part of the Risk Management processes, reports are received on the Enterprise Risk Management Action Plan, and related policy and protocol updates
- A presentation was provided to the Committee on the Kingscliff Foreshore Development Project which provided evidence that a sound and effective approach is followed in developing strategic risk management plans for major projects or undertakings
- The Committee has received regular reports on Contracts in Excess of \$150,000, the Status of Insurance Claims, and the Legal Services Register. The Committee has noted that there are a number of legal matters relating to development approvals that cause significant adverse variations to the annual budget.

3. Control Framework

- Management has adequate internal controls in place, including covering external parties such as contractors and advisors;
- Management has in place relevant policies and procedures, which are periodically reviewed and updated with appropriate processes in place to ensure they are complied with;
- Management has taken steps to embed a culture committed to ethical and lawful behaviour. Internal and external auditors' review of internal controls over financial reporting has been performed with reports on findings and recommendations together with managements responses reviewed. The Committee monitors resolution of recommendations.

4. External Audit and Accountability Processes

- In all material respects, the annual financial statements comply with applicable Australian Accounting Standards and are supported by appropriate management controls.
- The external audit opinions on the annual financial statements were provided to the Audit Committee.
- The external auditor's provided adequate information to the Audit Committee on the annual financial statements and year end matters.
- Significant issues raised in previous years by the external auditors were satisfactorily dealt with.

5. Legislative Compliance

- Management had appropriately considered legal and compliance risks as part of the risk assessment and management processes.
- The systems for monitoring compliance with relevant laws, regulations and associated government policies have been effective.
- The process of communicating the Council's Code of Conduct and other corruption resistance controls to personnel, and for monitoring compliance therewith has been followed.
- The Audit Risk and Improvement Committee has received and considered regular reports on the review and update of Council policies, and the Monthly Investment and Section 94 Development Contribution reports. In addition, the Committee received information on the Delegations of Authority and the Instruments of appointment relating to Tweed Coast Holiday Parks Reserve Trust.

6. Internal Audit

- The Annual Audit Plan was risk based and prepared in accordance with both the '*International Standard ISO 31000:2018 Risk Management - Guidelines*' and the Institute of Internal Auditor's International Professional Practices Framework.
- Audit reports, with particular reference to significant issues identified with remedial actions taken including identification and dissemination of better practices have been satisfactorily dealt with.
- Appropriate organisational structures, authority, access and reporting arrangements were in place.

- The internal auditor has provided the External Auditor with copies of all internal audit reports.
- The role of Internal Auditor for the financial year has been performed satisfactorily as measured against agreed key performance indicators.
- A range of internal audits were prepared and reported; these include: Waste Management, Roads and Maritime Services DRIVES system, Procurement Compliance, Cemetery- burials and exhumations
- As part of the Internal Audit function, the Committee has conducted a review of the Internal Audit Charter, the Internal Audit Operations Plan, the Internal Audit Annual Report, reviewed the performance and resourcing of Internal Audit, and the use of audit analytics tools.
- The Committee was able to monitor the progress of Internal Audits via regular status reports on progress with internal audit recommendations.

7. Financial Management

The Committee reviewed the draft financial statements for the year ended 30 June 2018 which were tabled at its meeting on 19 October, 2018. A number of matters were discussed and it was agreed with management and the external auditors that amendments will be made. Those amendments were reflected in the financial statements presented to Councillors.

The Committee were informed of external audit activities during the year via the Client Service Plan, the External Auditor's Report and the Final Management Letter for both the Council and the Tweed Coast Holiday Parks Reserve Trust

Additionally the Committee received a presentation of the financial operations of the Tweed Coast Holiday Parks Reserve Trust. The Council quarterly budget reviews were also reported to and considered by the Committee.

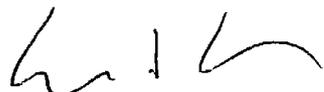
8. Implementation of Strategic Plan, Delivery Program and Strategies

The Committee received a presentation and reports relating to performance planning, the delivery program and operational plan. The status of the strategic plan implementation was considered via quarterly performance reports, six monthly progress reports and related financial information.

Those reports provided evidence to the committee that a structured and comprehensive process is in place to guide Councils' Strategic Planning and Operational Delivery.

CONCLUSION

Based on the work done by the Committee during the financial year, there are no material matters or exceptions that the Committee reports to Council



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Colin Wight
Chairman

Tweed Shire Council Audit, Risk and Improvement Committee

23 October 2018