



**UNCONFIRMED**

# **MINUTES**

## **AUDIT & RISK COMMITTEE MEETING**

Held

Wednesday, 10<sup>th</sup> December 2025

At

Shire of Dardanup  
ADMINISTRATION CENTRE EATON  
1 Council Drive - EATON

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~ Large Print  
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Upon request.

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## **VISION STATEMENT**

**“Provide effective leadership in encouraging balanced growth and development of the Shire while recognizing the diverse needs of our communities.”**

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## COMMITTEE MEMBERSHIP:

- Cr S. Gillespie (Presiding Member)
- Cr. K. Laurentsch (Deputy Presiding Member)
- Cr. M Hutchinson
- Cr. B Farrant
- Cr. T Gardiner
  
- Cr L. Davies (Deputy/Proxy)
- Cr A. Jenour (Deputy/Proxy)

## AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:  
[2025 - ToR - Audit and Risk Committee](#)

### COUNCIL ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body /agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	<p>When Council determines an application/matter that directly affects a person's rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.</p> <p>Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</p>

### DISCLAIMER

"Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire's decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person's knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request."

### RISK ASSESSMENT

<b>Inherent Risk</b>	The level of risk in place in order to achieve the objectives of the Council and before actions are taken to alter the risk's impact or likelihood.
<b>Residual Risk</b>	The remaining level of risk following the development and implementation of Council's response.
<b>Strategic Context</b>	These risks are associated with achieving Council's long term objectives.
<b>Operational Context</b>	These risks are associated with the day-to-day activities of the Council.
<b>Project Context</b>	<p>Project risk has two main components:</p> <ul style="list-style-type: none"> <li>• Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives.</li> <li>• Indirect refers to the risks which threaten the delivery of project outcomes.</li> </ul>

**SHIRE OF DARDANUP**

**MINUTES THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE HELD ON WEDNESDAY, 10<sup>TH</sup> DECEMBER 2025, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.**

<b>1      DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS</b>
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The Chief Executive Officer, Mr André Schönfeldt declared the meeting open at 2.00pm, welcomed those in attendance and referred to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

*Acknowledgement of Country*

*The Shire of Dardanup wishes to acknowledge that this meeting is being held on the traditional lands of the Noongar people. In doing this, we recognise and respect their continuing culture and the contribution they make to the life of this region and pay our respects to their elders, past, present and emerging. The Shire of Dardanup also respects and celebrates all cultures of all our residents and those visitors to our Shire.*

*Emergency Procedure*

*In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, you will be directed to an appropriate Assembly Area where we will meet (and complete a roll call).*

*Affirmation of Civic Duty and Responsibility*

*Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.*

**PROCESS**

*As the Chairperson and Deputy Chairperson are an apology for the meeting, the Chief Executive Officer Mr André Schönfeldt opened the meeting and moved a motion to appoint Cr Mark Hutchinson as the Presiding Member for the meeting.*

AAR 32-25      MOVED –      Cr T G Gardiner      SECONDED –      Cr B S Farrant

**THAT Cr Mark Hutchinson be appointed as the Presiding Member for the Audit & Risk Meeting held on 10<sup>th</sup> of December 2025.**

CARRIED

3/0

<i>FOR THE MOTION</i>	<i>AGAINST THE MOTION</i>
Cr T G Gardiner	
Cr M R Hutchinson	
Cr B S Farrant	

## 2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED

### 2.1 Attendance

#### Voting

Cr Mark Hutchinson	-	Elected Member (Presiding Member)
Cr Tyrrell Gardiner	-	Elected Member
Cr Brad Farrant	-	Elected Member

#### Non-Voting

Mr André Schönfeldt	-	Chief Executive Officer
Mr Stephen Loiterton	-	Coordinator Emergency & Ranger Serv.
Mr Ashwin Nair	-	Director Sustainable Development
Mr Craig Johnson	-	Director Community & Economic Dev.
Mr Theo Naude	-	Director Infrastructure
Mr Rehan Shahid	-	Acting Director Corporate & Governance
Mrs Donna Bailye	-	Manager Governance
Mrs Cindy Barbetti	-	Corporate Excellence & Compliance Officer
Mrs Jolene Roots	-	EA Corporate & Governance
Mrs Rochelle Dodds	-	EA Community & Economic Dev.

### 2.2 Apologies

Cr. Stacey Gillespie	-	Elected Member – Chairperson
Cr. Krystal Lauretsch	-	Elected Member – Deputy Chairperson

## 3 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

None.

## 4. PUBLIC QUESTION TIME

None.

## 5. PETITIONS/DEPUTATIONS/PRESENTATIONS

None.

## 6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

### 6.1 Minutes - Audit and Risk Committee – 19<sup>th</sup> November 2025

#### OFFICER RECOMMENDATION & AUDIT & RISK COMMITTEE RESOLUTION

AAR 33-25      MOVED –      Cr M R Hutchinson      SECONDED –      Cr B S Farrant

**THAT the Minutes of the Audit & Risk Committee Meeting held on 19<sup>th</sup> of November 2025, be confirmed as true and correct subject to no corrections.**

CARRIED  
3/0

<i>FOR THE MOTION</i>	<i>AGAINST THE MOTION</i>
Cr T G Gardiner Cr M R Hutchinson Cr B S Farrant	

## 7. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

## 8. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

## 9. DECLARATION OF INTEREST

“Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.”

Key Management Personnel (which includes Elected Members, CEO and Directors) are reminded of their requirement to disclose biannually transactions between Council and related parties in accordance with Council Policy CP039.

- *Mr André Schönfeldt, Chief Executive Officer declared an Impartiality Interest in item 10.6 - 2025 Financial Management System Review due to previously using the services of AMD Accountants.*

## 10. REPORTS OF OFFICERS AND COMMITTEES

### 10.1      *Testing of the Business Continuity Plan (BCP)*

<b>Reporting Department</b>	<i>Development Services Directorate</i>
<b>Responsible Officer</b>	<i>Mr Ashwin Nair - Director Development Services</i>
<b>Reporting Officer</b>	<i>Mr Stephen Loiterton – Coordinator Emergency &amp; Ranger Services</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR 10.1 – Risk Assessment</i>

#### **Overview**

This report provides an update on the testing of the Shire's Business Continuity Plan, which is a specific Audit and Risk Committee objective noted in the committees Terms of Reference and subsequent 2025 Annual Audit Work Plan.

**Change to Officer Recommendation**      -      No Change.

#### **OFFICER RECOMMENDATION & AUDIT & RISK COMMITTEE RESOLUTION**

AAR 34-25      MOVED –      Cr T G Gardiner      SECONDED –      Cr B S Farrant

**THAT the Audit and Risk Committee recommends that Council:**

1.      **Acknowledges that testing of the Shire's Business Continuity Plan has not occurred as intended and as part of the Audit and Risk Committees Terms of Reference and subsequent 2025 Annual Audit Work Plan.**
2.      **Considers allocating funding in the 2026-2027 Annual Budget to support the testing and validation of the Shire's Business Continuity Plan, ensuring compliance with governance requirements and strengthening business continuity measures.**

CARRIED  
3/0

<i>FOR THE MOTION</i>	<i>AGAINST THE MOTION</i>
Cr T G Gardiner Cr M R Hutchinson Cr B S Farrant	



## Background

A specific committee objective of the Audit and Risk Committee is to assess whether a sound and effective approach has been followed in establishing the Shire's Business Continuity planning arrangements. This includes whether Business Continuity and Disaster Recovery Plans have been periodically updated and tested.

As per the 2025 Annual Audit Work Plan, the committee is responsible for receiving a summary report on the testing of the Business Continuity Plan, with this function scheduled for the September 2025 committee meeting.

AUDIT AND RISK COMMITTEE – 2025 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	12 Mar 25	* Apr/ May 25	11 Jun 25	10 Sep 25	10 Dec 25
<b>1. Business Continuity Plan</b>					
Receive a summary report on the testing of the Business Continuity Plan after each test exercise.				●	

For further context, the Shire's final Business Continuity Plan was endorsed by Council via the Audit and Risk Committee in March 2025 [Res 62-25].

This report provides an update on the testing of the Business Continuity Plan.

## Legal Implications

The Terms of Reference for the committee states the following as a specific committee objective:

- 5.15 *Assess whether a sound and effective approach has been followed in establishing the Shire's Business Continuity planning arrangements, including whether Business Continuity and Disaster Recovery Plans have been periodically updated and tested.*

## Council Plan

7.1 - Minimise risks and impacts from fires, floods, heat waves, and other natural disasters.

**Environment** - None.

## Precedents

The Audit and Risk Committee has not previously received summary reports on Business Continuity Plan testing. This responsibility was added to the committee's Terms of Reference during the last review in late 2023.

## Budget Implications

A quote of around \$10,000 was received to conduct a test of the Shire's Business Continuity Plan. However, this expense was not budgeted in the 2024-2025 nor is it currently budgeted for in the 2025-2026 Annual Budget.

**Budget – Whole of Life Cost** - None.

**Council Policy Compliance** - None.

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 10.1) for full assessment document.

<b>TIER 2 – ‘Low’ or ‘Moderate’ Inherent Risk.</b>	
Risk Event	Testing of the Business Continuity Plan (BCP)
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<div>Financial</div> <div>Indicative pricing of \$10,000 has been received to conduct a test of the Shire’s BCP. This expense is not currently budgeted in the 2025-2026 Annual Budget.</div> <div>Legal and Compliance</div> <div>Non-compliance with the Audit and Risk Committee’s Terms of Reference and specific committee objective to receive a summary report on the testing of the Shire’s BCP.</div> <div>Reputational</div> <div>The Shire’s reputation could be negatively impacted for not adhering to objectives prescribed in the Audit and Risk Committee’s Terms of Reference.</div>

### **Officer Comment**

The most recent update to the Business Continuity Plan has not been evaluated to date. The Coordinator Emergency and Ranger Services undertook the most recent update. The best practice is to have a separate individual or team test a plan, rather than the person who created/modified it, to provide a fresh perspective and avoid bias. Also, specialist skills are required to plan and conduct an exercise to evaluate the Business Continuity Plan.

A budget funding request for \$5,000 was submitted for the 2025-2026 financial year to seek a consultant to plan and conduct an exercise to evaluate the revised Business Continuity Plan; however, it was unsuccessful, and consequently, no budget allocation is available for this purpose. As no budget allocation was available independent testing off the Business could not be arranged for this financial year as intended.

The reporting officer recommends that the Committee acknowledges that the testing of the Business Continuity Plan has not occurred as scheduled, and request consideration towards funding for this exercise as part of the 2026-2027 Annual Budget.

END REPORT

## 10.2                      2024/25 Annual Financial Report

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Rehan Shahid – Acting Director Corporate &amp; Governance</i>
<b>Reporting Officer</b>	<i>Mr Rehan Shahid – Acting Director Corporate &amp; Governance</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR 10.2A – 2024/25 Annual Financial Report – Report AAR 10.2B – Risk Assessment</i>

### **Overview**

This report presents the Annual Financial Report for the 2024/25 financial year to the Audit and Risk Committee and Council for consideration and adoption.

**Change to Officer Recommendation**      -              No Change.

### **OFFICER RECOMMENDATION & AUDIT & RISK COMMITTEE RESOLUTION**

AAR 35-25      MOVED –              Cr B S Farrant              SECONDED –      Cr M R Hutchinson

**THAT the Audit & Risk Committee recommends that Council receives and accepts the Shire of Dardanup 2024/25 audited Annual Financial Statements for the financial year ended 30<sup>th</sup> of June 2025 (Appendix AAR: 10.2A).**

CARRIED  
3/0

<i>FOR THE MOTION</i>	<i>AGAINST THE MOTION</i>
Cr T G Gardiner Cr M R Hutchinson Cr B S Farrant	

### **Background**

Section 6.4 of the *Local Government Act 1995* requires a Local Government to prepare an Annual Financial Report each financial year. This report has been audited and is provided as (Appendix AAR: 10.2A).

The Annual Financial Report has been prepared in accordance with the *Local Government (Financial Management) Regulations 1996* and includes the following:

- Statement by the Chief Executive Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Statement of Financial Activity;
- Notes to and forming Part of the Financial Statements; and
- Independent Auditor's Report.

In accordance with section 5.53 of the *Local Government Act 1995*, the 2024/25 Annual Financial Report forms part of the Annual Report.

The adoption of the Annual Financial Report by Council allows for the adoption of the Annual Report and the holding of the Annual Electors Meeting which is proposed to be held on Wednesday 28<sup>th</sup> of January 2026, commencing at 6.00pm in the Eaton Council Chambers, following the completion of the monthly Council meeting.

### **Legal Implications**

#### **Local Government Act 1995**

##### *5.53. Annual Reports*

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain —*
  - (f) *the financial report for the financial year; and*

##### *6.4. Financial Report*

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to —*
  - (a) *be prepared and presented in the manner and form prescribed; and*
  - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*
  - (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
  - (b) *the annual financial report of the local government for the preceding financial year.*

#### **Local Government (Financial Management) Regulations 1996**

##### *4. AAS, effect of*

- (1) *These regulations are in addition to and not in derogation of the requirements of the AAS.*
- (2) *If a provision of the AAS is inconsistent with a provision of these regulations, the provision of these regulations prevails to the extent of the inconsistency.*
- (3) *All words in the Act or these regulations that import revenue or expenditure are to be interpreted to permit compliance with the requirements of the AAS.*

##### *5A. Local governments to comply with AAS*

*Subject to regulation 4, 17A and 36A, the annual budget, annual financial report and other financial reports of a local government must comply with the AAS.*

##### *R36. Content of annual financial report*

- (1) *The annual financial report must—*
  - (a) *include a statement setting out all movements of money to and from reserve accounts that has not been included in the income statement but that has been included in the statement of financial activity; and*
  - (b) *include the net current assets carried forward from the previous financial year for the purpose of the budget of the financial year to which the report relates; and*

- (c) include the net current assets shown in the audited annual financial report for the previous financial year; and
  - (d) include, or be accompanied by a note containing, a summary explaining the composition of the net current assets referred to in paragraphs (b) and (c); and
  - (e) include, if the net current assets referred to in paragraph (b) is different from the net current assets referred to in paragraph (c), the amount of that difference; and
  - (f) include notes or statements containing the information set out in regulations 37 to 48.
- (2) The detail included under subregulation (1)(b), (c) and (d) must be structured in the same way as the detail included in the annual budget under regulation 31(1) and (3)(a).
- (3) The annual financial report must include the following —
- (a) the statement of financial activity included under regulation 22(1)(d) in the annual budget for the year to which the report relates;
  - (b) adjacent to each item in that statement of financial activity that states an amount, the end-of-year amount for the item;
  - (c) adjacent to each item in the income statement that states an end-of-year amount, the original budget estimate for the item;
  - (d) adjacent to each item, required by a provision of these regulations listed in the Table, that states an end-of-year amount, the original budget estimate for the item.

Table

<i>r. 36(1)(a)</i>	<i>r. 38(1)(b), (c) and (e)</i>
<i>r. 39(a), (b)(v), (d)(iv) and (e)(v)</i>	<i>r. 42(a) to (d)</i>
<i>r. 43(a), (b) and (c)(i) and (ii)</i>	<i>r. 44(a) to (c)</i>
<i>r. 48(d)(i) and (vii) and (f)(ii) to (v)</i>	

- (4) Any information relating to exclusions from the calculation of a budget deficiency that is included in the annual financial report must be structured in the same way as the corresponding information included in the annual budget.

R36A. Class 3 or 4 local governments do not need to comply with certain AAS in annual financial report

R37. Trust fund, information about in annual financial report

R38. Information about reserve accounts in annual financial report

R39. Information about rates in annual financial report

[40, 41. Deleted: SL 2023/106 r. 23.]

R42. Information about discounts, incentive schemes and concessions in annual financial report

R43. Information about interest in annual financial report

R44. Information about fees, expenses and allowances in annual financial report

[45-47. Deleted: SL 2023/106 r. 23.]

R48. Information about borrowings in annual financial report

[49. Deleted: SL 2023/106 r. 25.]

[50. Deleted: SL 2022/88 r. 10.]

R51. Annual financial report declaration to be signed by CEO

## Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

**Precedents**

Each year the Council is required to receive and accept the audited Annual Financial Report.

**Budget Implications**

The Annual Financial Report is produced internally, and the preparation and printing costs are incorporated within the staffing, printing and stationery budgets. The Annual Financial Report presents the financial performance and financial position of the Shire for the past financial year and is scrutinised by an independent auditor appointed by the Office of the Auditor General (OAG) to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Statement of Financial Activity.

**Budget – Whole of Life Cost**

As no asset/infrastructure is being created, there are no whole of life costs relevant to this item.

**Council Policy Compliance**

Compliance to Administration Policy AP008 Material Accounting Policy (*previously known as 'AP008 Significant Accounting Policy'*).

**Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix ORD: 10.2B) for full assessment document.

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Event	2024/2025 Annual Financial Report	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Legal and Compliance - Risk of Council breaching the Local Government Act 1995 – Risk that the audited 2024/25 Annual Financial Report is not received by Council.

**Officer Comment**

The 2024/25 Annual Financial Report has been produced in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996*, and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

The Annual Financial Statements for the year ended 30<sup>th</sup> of June 2025 have been completed and have been audited by the Office of the Auditor General (OAG) appointed auditors, Moore Australia (WA). The Auditor General have issued an unmodified Audit Report (Appendix AAR: 10.2A). The Independent Auditor's Report is shown following page 36 of the Annual Financial Report and will form part of the Annual Report scheduled to be adopted at the Ordinary Council meeting on 17<sup>th</sup> December 2025.

The financial statements include the Index of Notes to the Finance Report, which can be found on page 39 of the Annual Financial Report. Other changes relating to reduced Disclosure elements are summarised below.

- Initial Application of Accounting Standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-1 Amendments to Australian Accounting Standards  
*Classification of Liabilities as Current or Non-current*
- AASB 2022-5 Amendments to Australian Accounting Standards  
*Lease Liability in a Sale and Leaseback*
- AASB 2022-6 Amendments to Australian Accounting Standards  
*Non-current Liabilities with Covenants*
- AASB 2023-3 Amendments to Australian Accounting Standards  
*Disclosure of Non-current Liabilities with Covenants: Tier 2*
- AASB 2024-1 Amendments to Australian Accounting Standards  
*Supplier Finance Arrangements: Tier 2 Disclosures*
- AASB 2023-1 Amendments to Australian Accounting Standards  
*Supplier Finance Arrangements*

These amendments are not expected to have any material impact on the financial report on initial application.

- AASB 2022-10 Amendments to Australian Accounting Standards  
*Fair Value Measurement of Non-financial Assets of Not-for-profit Public Sector Entities*

These amendments may result in changes to the fair value of certain non-financial assets on revaluation. The impact has not been quantified as it is not considered practicable to determine the amount of the difference in fair value attributable to the change in the standard.

- New Accounting Standards for Application in Future Years

The following new accounting standards will have application to local government in future years:

- AASB 2014-10 Amendments to Australian Accounting Standards  
*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- AASB 2024-4b Amendments to Australian Accounting Standards  
*Effective Date of Amendments to AASB 10 and AASB 128*  
*(deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply)*
- AASB 2022-9 Amendments to Australian Accounting Standards  
*Insurance Contracts in the Public Sector*
- AASB 2023-5 Amendments to Australian Accounting Standards  
*Lack of Exchangeability*
- AASB 18 (FP) Presentation and Disclosure in Financial Statements  
*(Appendix D) (For for-profit Entities)*
- AASB 18 (NFP/Super) Presentation and Disclosure in Financial Statements  
*(Appendix D) (for not-for-profit and Superannuation Entities)*
- AASB 2024-2 Amendments to Australian Accounting Standards  
*Classification and Measurement of Financial Instruments*
- AASB 2024-3 Amendments to Australian Accounting Standards  
*Annual Improvements Volume 11*

These amendments are not expected to have any material impact on the financial report on initial application.

- Financial Summary

As at 30th of June 2025, Council's Equity (Total Assets minus Total Liabilities) decreased by \$3.9m from \$280.5m to \$276.6m. The decrease in Total Equity is due to \$3.9m deficit from Statement of Comprehensive Income during FY 2024/25 resulting in lower retained surplus balance. Reserve balances increased by \$115k during 2024/25 mainly due to higher unspent loan reserve balance as at 30<sup>th</sup> June 2025 partially offset by various small movements in other reserve balances.

There was no asset revaluation carried out in 2024/25, noting that Councils assets are required to be revalued no more than every 5 years in accordance with the *Local Government (Financial Management) Regulations 1996*.

Council's carry forward Statement of Financial Activity surplus at 30<sup>th</sup> of June 2025 is \$996,531. This was against the forecast budgeted carry forward surplus in the 2024/25 annual budget of \$936,114. The favourable variance of \$60,417 has been updated in the current end of year forecast. The total carry forward surplus amount equates to approximately 2.1% of total adopted budgeted expenditure for 2024/25.

In summary, the Shire of Dardanup is in a sound financial position.

This result is directly attributed to:

1. Comprehensive integrated financial planning model;
2. Commitment to investment in infrastructure asset renewal;
3. Cash backed funding model for future asset obligations; and
4. Structured planning for all borrowings.

I would like to take the opportunity to thank all Corporate & Governance staff for their efforts and high service standard during the year under review.

Audit & Risk Committee is requested to receive this report and recommends to the Council to receive and accept the audited Annual Financial Statements for the 2024/25 financial year.

END REPORT



### 10.3 Biannual Risk Management Dashboard Report

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Rehan Shahid – Acting Director Corporate &amp; Governance</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti - Corporate Excellence &amp; Compliance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
<b>Council Role</b>	<i>Legislative.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>Confidential Attachment A – Under Separate Cover 10.3 - Risk Assessment</i>

#### **Overview**

The purpose of this report is to present the biannual Risk Management Dashboard Report (Confidential Attachment - A) – Under Separate Cover to the Audit and Risk Committee for consideration.

**Change to Officer Recommendation** - No Change.

#### **OFFICER RECOMMENDATION & AUDIT & RISK COMMITTEE RESOLUTION**

AAR 36-25      MOVED –      Cr M R Hutchinson      SECONDED –      Cr T G Gardiner

**THAT the Audit and Risk Committee recommends that Council receives the biannual Risk Management Dashboard Report for this reporting period, as provided for in the (Confidential Attachment - A) provided Under Separate Cover.**

CARRIED  
3/0

<i><b>FOR THE MOTION</b></i>	<i><b>AGAINST THE MOTION</b></i>
Cr T G Gardiner Cr M R Hutchinson Cr B S Farrant	

#### **Background**

In March 2023 Council, through the Audit and Risk Committee, adopted the revised Risk Management Governance Framework (the Framework) for the Council. The Framework has been developed to connect all of the risk management processes and methodologies and to clearly articulate the appetite for risk. This ensures Council's commitment to meeting its compliance obligations pursuant to the *Local Government (Audit) Regulations 1996, Regulation 17*.

A reporting requirement of the Framework specifies that every six (6) months, the Audit and Risk Committee is to receive a Risk Dashboard Report. The Dashboard summarises the risks of Council and provides the treatment plans (actions) that have been identified by management to improve certain key control ratings.

This requirement is further prescribed as a committee objective in the Terms of Reference, together with the committee's 2025 Annual Audit Work Plan, as shown below:

- Terms of Reference

5.8 *To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.*

- 2025 Annual Audit Work Plan

AUDIT AND RISK COMMITTEE – 2025 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	12 Mar 25	* Apr/ May 25	11 Jun 25	10 Sep 25	10 Dec 25
<b>2. Risk Management</b>					
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 28-06-2023 [Res 168-23]	Not applicable – next due 2026				
Receive the biannual dashboard report			● Completed		● This meeting

This report has been compiled in direct response to the Framework reporting requirements, Terms of Reference for the committee, and the 2025 Annual Audit Work Plan for the committee.

The Reporting Officer is seeking Council's endorsement, through the Audit and Risk Committee, of the biannual Risk Management Dashboard Report.

### **Legal Implications**

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996, Regulation 17:*

17. *CEO to review certain systems and procedures*

(1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*

(a) *risk management; and*

(b) *internal control; and*

(c) *legislative compliance.*

(2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*

(3) *The CEO is to report to the audit committee the results of that review.*

### **Council Plan**

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

### **Precedents**

The Audit and Risk Committee have been presented with Risk Management Dashboard Report's at the following meetings:

Committee Meeting Date	AAR Resolution Number
4 <sup>th</sup> December 2019	AAR 05-19
3 <sup>rd</sup> June 2020	AAR 14-20
7 <sup>th</sup> December 2020	AAR 26-20
16 <sup>th</sup> June 2021	AAR 08-21
1 <sup>st</sup> December 2021	AAR 31-21
8 <sup>th</sup> June 2022	AAR 09-22
7 <sup>th</sup> December 2022	AAR 27-22
14 <sup>th</sup> June 2023	AAR 10-23
6 <sup>th</sup> December 2023	AAR 33-23
12 <sup>th</sup> June 2024	AAR 08-24
11 <sup>th</sup> December 2024	AAR 27-24
11 <sup>th</sup> June 2025	AAR 12-25

### **Budget Implications**

As part of the Corporate Excellence and Compliance Officer's responsibilities, regular reporting on the Risk Management Governance Framework is a key requirement. Consequently, the cost to Council primarily relates to staff time and, where applicable, the use of IT and software systems.

**Budget – Whole of Life Cost** - None.

### **Council Policy Compliance**

Risk Management Governance Framework

- *Administration Policy AP023*
- *Procedure PR036*
- *Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 10.3) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	Biannual Risk Management Dashboard Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance</p> <p>Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.</p> <p>Reputational</p> <p>Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.</p>

### **Officer Comment**

It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

The Risk Management Dashboard Report for this reporting period (Confidential Attachment A – Under Separate Cover) summarises the risks of Council and provides the treatment plans (actions) that have been identified by management to improve certain key control ratings. Typically, these control ratings have been identified as inadequate and a treatment plan (action) has been determined to improve the control effectiveness to at least adequate.

The Dashboard focuses on both the inherent risk and the residual risk, together with a spider graph that highlights the impact of the controls against the residual risk.

To provide a comparison between reporting periods, table 1 below indicates that there are currently 26 treatments/action plans in place, compared to 29 last reporting period. Since the last review, 4 new treatments have been added, with 7 being completed in the last 6 months. As treatments are cleared or completed, they are removed from the Dashboard.

Table 1 – Treatment Plan Summary:

<b>(Last reporting period)</b>			<b>(This reporting period)</b>		
<b>Total</b>	<b>Completed</b>	<b>In Progress</b>	<b>Total</b>	<b>New</b>	<b>In Progress</b>
29	7	22	22	4	26

The Dashboard also provides an indication of the value of the combined controls in mitigating levels of risk. This is summarised by the overall control rating (how effective the controls in place are operating) and the overall risk rating (the determined level of risk). In summary, the Dashboard demonstrates that 11 combined controls are rated as 'Adequate' and 5 are rated as 'Effective'.

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for June 2026.

END REPORT

## 10.4 Confirmation of 2025 Committee Functions Completed

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Rehan Shahid – Acting Director Corporate &amp; Governance</i>
<b>Reporting Officers</b>	<i>Mrs Cindy Barbeti – Corporate Excellence and Compliance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Legislative.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR 10.4A – 2025 Annual Audit Work Plan AAR 10.4B – Risk Assessment</i>

### **Overview**

To provide Council, through the Audit and Risk Committee, with annual confirmation of the responsibilities that have been completed in accordance with the Audit and Risk Committee Charter and subsequent 2025 Annual Audit Work Plan.

**Change to Officer Recommendation** - No Change.

### **OFFICER RECOMMENDATION & AUDIT & RISK COMMITTEE RESOLUTION**

AAR 37-25      MOVED –      Cr T G Gardiner      SECONDED –      Cr M R Hutchinson

**THAT the Audit and Risk Committee recommends that Council:**

- 1. Receives this report providing an update on the Audit and Risk Committee's responsibilities in accordance with the 2025 Annual Audit Work Plan.**
- 2. Defers the testing of the Business Continuity Plan to be completed by August 2026.**

CARRIED  
3/0

<i>FOR THE MOTION</i>	<i>AGAINST THE MOTION</i>
Cr T G Gardiner Cr M R Hutchinson Cr B S Farrant	

### **Background**

In June 2020, the Auditor General released the [Western Australian Public Sector Audit Committees – Better Practice Guide - Office of the Auditor General](#) as a beneficial resource to state and local governments when further developing the role of audit committees. The Guide takes into consideration the relevant functions, responsibilities, and associated activities that a committee will undertake and has been a resourceful guide when reviewing the Charter of the Audit and Risk Committee of Council.

The Charter, which incorporates the Terms of Reference, Instrument of Appointment and Annual Audit Work Plan template, was endorsed by Council on the 29<sup>th</sup> October 2025 [Res 281-25].

The 2025 Annual Audit Work Plan (Appendix: AAR 10.4A) that assists and guides the committee on the functions, roles and responsibilities that are undertaken throughout 2025, was endorsed by Council on the 18<sup>th</sup> December 2024 [Res 323-24].

The following committee operation function is noted within the 2025 Annual Audit Work Plan:

AUDIT AND RISK COMMITTEE – 2025 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	12 Mar 25	* Apr/ May 25	11 Jun 25	10 Sep 25	10 Dec 25
<b>2. Committee Operation</b>					
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.					● This meeting

This report has been compiled in response to the above committee operation function and seeks a direct decision from the Council on the responsibilities that have been completed in accordance with the 2025 Annual Audit Work Plan.

### **Legal Implications**

*Local Government Act 1995*

#### *7.1A. Audit committee*

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

*\* Absolute majority required.*

- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

### **Council Plan**

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

### **Precedents**

Council is required to confirm annually the Audit and Risk Committee responsibilities that have been completed. This function was previously considered at the 18<sup>th</sup> December 2024 Ordinary Council Meeting [322-24].

### **Budget Implications**

This confirmation process is managed through staff resources funded under the salaries and wages budget allocated to the Corporate and Governance Directorate

**Budget – Whole of Life Cost**

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

**Council Policy Compliance**

Nil Council Policy Compliance.

- Audit and Risk Committee Charter (Terms of Reference)
- Western Australian Public Sector Audit Committees – Better Practice Guide

**Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 10.4B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Event	Confirmation of Completed Committee Responsibilities for 2025	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Not confirming the committee’s responsibilities that have been completed, would not be in line with the recommendations from the Auditor General’s publication (Better Practice Guide), or the Audit and Risk Committee Charter.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to the functions of the Charter or the Better Practice Guide.

**Officer Comment**

Each year, the Audit and Risk Committee establish its annual work plan, setting out the key tasks and responsibilities to be undertaken in alignment with its Charter. This plan provides a structured approach to monitoring risk management, compliance, internal controls, and audit processes, ensuring that the Committee’s activities support Council’s governance objectives.

This report provides Council with details of the committee’s completed tasks for 2025, including meeting frequency and membership representation.

- *Committee Meetings 2025*

The committee have officially met on the following five (5) occasions throughout 2025:

- 12<sup>th</sup> March 2025
- 11<sup>th</sup> June 2025

- 10<sup>th</sup> September 2025
- 19<sup>th</sup> November 2025 (Audit Exit Meeting)
- 10<sup>th</sup> December 2025 (this Meeting)

In addition, the Audit Entrance Meeting was held on the 26 March 2025 (via the Microsoft Teams application) with the Audit and Risk Committee members, Moore Australia representative, OAG representative and Management in attendance.

- *Committee Members*

The following table demonstrates the members of the Audit and Risk Committee during 2025, together with their term and appointment details.

Councillor Name	Role	Resolution	Term
Cr. E Lilly	Voting Member	SCM 25-10-2023 Res 263-23	October 2023 to October 2025
	Chairperson	AAR 20-11-2023 Item 3.1	
Cr. M Hutchinson	Voting Member	SCM 25-10-2023 Res 263-23	October 2023 to October 2025
	Deputy Chairperson	AAR 20-11-2023 Item 3.2	
Cr. T Gardiner	Voting Member	SCM 25-10-2023 Res 263-23	October 2023 to October 2025
Cr. S Gillespie	Voting Member	SCM 25-10-2023 Res 263-23	October 2023 to October 2025
Cr. J Manoni	Voting Member	SCM 25-10-2023 Res 263-23 * AAR 20-11-2023 Res AAR 25-23  * correction to SCM Minutes	October 2023 to October 2025
Cr. S Gillespie	Voting Member	OCM 29-10-2025 Res 282-25	October 2025 to October 2027
	Chairperson	OCM 29-10-2025 Res 282-25	
Cr. K Laurentsch	Voting Member	OCM 29-10-2025 Res 282-25	October 2025 to October 2027
	Deputy Chairperson	OCM 29-10-2025 Res 282-25	
Cr. B Farrant	Voting Member	OCM 29-10-2025 Res 282-25	October 2025 to October 2027
Cr. M Hutchinson	Voting Member	OCM 29-10-2025 Res 282-25	October 2025 to October 2027
Cr. T Gardiner	Voting Member	OCM 29-10-2025 Res 282-25	October 2025 to October 2027
Cr. L Davies	Deputy (Proxy)	OCM 29-10-2025 Res 282-25	October 2025 to October 2027
Cr. A Jenour	Deputy (Proxy)	OCM 29-10-2025 Res 282-25	October 2025 to October 2027

Following the ordinary elections held in October 2025, the incoming committee members, along with the Chairperson and Deputy Chairperson for the next two-year term, were appointed at the Ordinary Council Meeting held on the 29<sup>th</sup> of October 2025.

- *Confirmation of completed committee responsibilities.*



The following table provides the 2025 Annual Audit Work Plan that was endorsed for the period January 2025 to December 2025 and also provides management's response on the completion of these functions.

AUDIT AND RISK COMMITTEE – 2025 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	12 Mar 25	* Apr/ May 25	11 Jun 25	10 Sep 25	10 Dec 25	Management Response
1. Committee Operation						
Biennial review of the Charter (Terms of Reference). Next Due 2025.	This was considered at the 29 <sup>th</sup> October 2025 OCM [Res: 281-25]					Completed
Agree on the annual audit work plan; and set priority areas for the coming year.					✓ Res: Pending	This function is occurring at this committee meeting
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.					✓ Res: Pending	This function is occurring at this committee meeting
New members are briefed on their appointment to assist them to meet their Committee responsibilities. Next Due 2025.					✓ Nil Minutes	This function is occurring prior to this committee meeting
Appointment of Presiding Member and Deputy Presiding Member. Next Due 2025.	This was considered at the 29 <sup>th</sup> October 2025 OCM [Res: 282-25]					Completed
2. Risk Management						
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 28-06-2023 [Res 168-23]	Not applicable – next due 2026					
Receive the biannual dashboard report			✓ Res: AAR:12-25		✓ Res: Pending	Completed
3. Legislative Compliance						
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	✓ Res: AAR:02-25					Completed
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	✓ Res: AAR:03-25			✓ Res: AAR:22-25		Completed
4. Internal Audit						
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓ Res: AAR:21-25		Completed
5. Financial Reporting						
Consider and recommend adoption of the Annual Financial Report to Council.					✓ Res: Pending	This function is occurring at this committee meeting
6. External Audit (OAG)						
Audit Entrance Meeting with Chair and Deputy Chair as representatives of the Audit and Risk Committee, Management and Council Auditors.		✓ Nil Minutes				Completed on 26 <sup>th</sup> March 2025

AUDIT AND RISK COMMITTEE – 2025 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	12 Mar 25	* Apr/ May 25	11 Jun 25	10 Sep 25	10 Dec 25	Management Response
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					✓ Res: AAR:29-25	Audit Exit Meeting was held on 19 <sup>th</sup> November 2025
Examine the reports of the auditor to – i.) determine if any matters raised require action to be taken by the local government; and ii.) ensure that appropriate action is taken in respect of those matters.					✓ Res: Pending	This function is occurring at this committee meeting
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed and the outcome of those discussions.					✓ Res: AAR:31-25	Audit Exit Meeting was held on 19 <sup>th</sup> November 2025
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	Nil OAG Reports this period		✓ Res: AAR:11-25	✓ Res: AAR:19-25	✓ Res: Pending	Completed
7. Regulation 17 Triennial Review (report next Due: March 2027)						
To consider the CEO’s triennial review on risk management, internal control and legislative compliance.	Not applicable – next due 2027					
Set the action plan arising from auditor recommendations from the Regulation 17 review.	Not applicable – next due 2027					
Receive an update on the action plan arising from auditor recommendations from the 2024 Regulation 17 review (until all action items are completed).	✓ Res: AAR:04-25		✓ Res: AAR:13-25	✓ Res: AAR:13-25	All items were finalised by the September 2025 meeting	Completed
Receive an update on the action plan arising from auditor recommendations from the 2027 Regulation 17 review (until all action items are completed).	Not applicable – next due 2027					
8. Financial Management Systems Triennial Review (report next Due: March 2025)						
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.	✓ Res: AAR:05-25					
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	✓ Res: AAR:05-25					
Receive an update on the action plan arising from auditor recommendations from the 2025 Financial Management Systems Review.			✓ Res: AAR:14-25	✓ Res: AAR:24-25	✓ Res: Pending	Completed
9. Governance Health & Financial Sustainability Review						
To consider the Governance Health and Financial Sustainability Review, and report to the Council the results of that review when undertaken	Discretionary item – next due for consideration 2027-2028					

AUDIT AND RISK COMMITTEE – 2025 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	12 Mar 25	* Apr/ May 25	11 Jun 25	10 Sep 25	10 Dec 25	Management Response
Set the action plan arising from the recommendations from the review.	Discretionary item – next due for consideration 2027-2028					
Receive an update on the action plan arising from the recommendations from the review.	Discretionary item – next due for consideration 2027-2028					
Undertake an independent external assessment of the Committee. This assessment may be included in the scope of the Governance Health and Financial Sustainability Review.	Discretionary item – next due for consideration 2027-2028					
10. Information Systems Security Audit (report next Due: December 2026)						
Receive the audit report arising from the 2 yearly Information Systems Security Audit. Report Next Due: 31-12-2026	Not Applicable – next due 2026					
Set the action plan arising from the recommendations from the Information Systems Security Audit. Report Next Due: 31-12-2026	Not Applicable – next due 2026					
Receive an update on the action plan arising from the recommendations from the 2024 Information Systems Security Audit.	✓ Res: AAR:08-25					Completed
Receive an update on the action plan arising from the recommendations from the 2026 Information Systems Security Audit.	Not Applicable – next due 2026					
11. Business Continuity Plan (report next Due: December 2026)						
To consider the Business Continuity Plan (including disaster recovery) review every 2 years (or after a major event or incident). Current Plan reviewed: Audit and Risk Committee December 2024 Res AAR:30-24	Not Applicable – next due 2026					
Receive a summary report on the testing of the 2024 Business Continuity Plan after each test exercise.				✗ Recommend deferral of testing the BCP until August 2026		Testing has not occurred due to funding constraints. Refer to item presented to Audit & Risk Committee – December 2025 meeting.
Receive a summary report on the testing of the 2026 Business Continuity Plan after each test exercise.	Not Applicable – next due 2026					

\* A minimum of four meetings per annum is required, however an additional meeting may be scheduled for April/May 2025 that serves as an audit entrance meeting with Council's appointed Auditors, Chair and Deputy Chair as representatives of the Audit and Risk Committee and management.

- **Conclusion**

The Reporting Officer seeks Council's endorsement of the functions completed by the Audit and Risk Committee during 2025 and recommends deferring the testing of the Business Continuity Plan until August 2026.

End Report

## 10.5      2026 Annual Audit Work Plan

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Rehan Shahid – Acting Director Corporate &amp; Governance</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti – Corporate Excellence &amp; Compliance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR 10.5 - Risk Assessment</i>

### **Overview**

This report to the Audit and Risk Committee provides members with the Annual Audit Work Plan for 2026 for their consideration and subsequent recommendation to Council.

**Change to Officer Recommendation**      -      No Change.

### **OFFICER RECOMMENDATION & AUDIT & RISK COMMITTEE RESOLUTION**

AAR 38-25      MOVED –      Cr M R Hutchinson      SECONDED –      Cr B S Farrant

**THAT the Audit and Risk Committee recommends that Council receives and endorses the 2026 Annual Audit Work Plan.**

CARRIED  
3/0

<b>FOR THE MOTION</b>	<b>AGAINST THE MOTION</b>
Cr T G Gardiner Cr M R Hutchinson Cr B S Farrant	

### **Background**

In accordance with section 7.1A of the *Local Government Act 1995* Council has established an Audit and Risk Committee. The Audit and Risk Committee operates in accordance with all relevant provisions of the Act and the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

Since the emergence of Regulation 17 of the *Local Government (Audit) Regulations 1996*, the operation of the Audit and Risk Committee has been expanded to not only support the local government in effective financial management but also to provide effective corporate governance. This is achieved through the review of systems and procedures in place relating to risk management, internal control, and legislative compliance.

To assist and guide the Audit and Risk Committee on the functions, roles and responsibilities that are undertaken in a calendar year, and in accordance with the committee Charter, an Annual Audit Work Plan has been developed.

This report presents to the committee the proposed 2026 Annual Audit Work Plan. The Reporting Officer is seeking Council's endorsement of this plan, through the Audit and Risk Committee.

## Legal Implications

### Local Government Act 1995

#### 7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.
- (2) The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

\* Absolute majority required.

- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.
- (4) An employee is not to be a member of an audit committee.

### Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

### Precedents

This is the sixth Annual Audit Work Plan to be considered by the Audit and Risk Committee.

### Budget Implications

The development of the Annual Audit Work Plan for the Audit and Risk Committee is facilitated through staff resources funded by the salaries and wages budget allocated to the Corporate and Governance Directorate.

### Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

**Council Policy Compliance** - None.

### Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:10.5) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2026 Annual Audit Work Plan.
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Not considering the Annual Work Plan would not be in line with the Audit and Risk Committee Charter.

**Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.**

	Reputational	Council’s reputation could be seen in a negative light for not adhering to the Audit and Risk Committee Charter.

**Officer Comment**

The following Terms of Reference within the Audit and Risk Committee Charter instructs that:

*“A forward annual work plan will be agreed by the Committee each year. The forward annual work plan will cover all Committee responsibilities as detailed in this ToR”.*

The Charter provides a template to assist and guide the committee on the functions and roles and responsibilities that may be undertaken in a calendar year. Staff have used this template as a guideline and the proposed ‘Annual Audit Work Plan’ for the calendar year January 2026 to December 2026 is presented as follows:

AUDIT AND RISK COMMITTEE – 2026 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	11 Mar 26	*TBC Apr 26 Entrance Meeting	10 Jun 26	9 Sep 26	TBC Nov 26 Exit Meeting	9 Dec 26
<b>Committee Operation</b>						
Agree on the annual audit work plan; and set priority areas for the coming year.						●
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.						●

AUDIT AND RISK COMMITTEE – 2026 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	11 Mar 26	*TBC Apr 26 Entrance Meeting	10 Jun 26	9 Sep 26	TBC Nov 26 Exit Meeting	9 Dec 26
New members are briefed on their appointment to assist them to meet their Committee responsibilities. <i>Next Due 2027.</i>	Not applicable – next due 2027					
Appointment of Presiding Member and Deputy Presiding Member. <i>Next Due 2027.</i>	This function will be undertaken by Council in 2027.					

AUDIT AND RISK COMMITTEE – 2026 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	11 Mar 26	*TBC Apr 26 Entrance Meeting	10 Jun 26	9 Sep 26	TBC Nov 26 Exit Meeting	9 Dec 26
<b>Risk Management</b>						
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 28-06-2023 [Res 168-23]			●			
Receive the biannual dashboard report.			●			●
<b>Legislative Compliance</b>						
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	●					
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	●			●		
<b>Internal Audit</b>						
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				●		
<b>Financial Reporting</b>						
Consider and recommend adoption of the Annual Financial Report to Council.						●
<b>External Audit (OAG)</b>						
Audit Entrance Meeting with Chair and Deputy Chair as representatives of the Audit and Risk Committee, Management and Council Auditors.		●				

AUDIT AND RISK COMMITTEE – 2026 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	11 Mar 26	*TBC Apr 26 Entrance Meeting	10 Jun 26	9 Sep 26	TBC Nov 26 Exit Meeting	9 Dec 26
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					•	
Examine the reports of the auditor to – i.) determine if any matters raised require action to be taken by the local government; and ii.) ensure that appropriate action is taken in respect of those matters.					•	
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed and the outcome of those discussions.					•	
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	•		•	•		•
<b>Regulation 17 Triennial Review (report next Due: March 2027)</b>						
To consider the CEO's triennial review on risk management, internal control and legislative compliance.	Not applicable – next due 2027					



AUDIT AND RISK COMMITTEE – 2026 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	11 Mar 26	*TBC Apr 26 Entrance Meeting	10 Jun 26	9 Sep 26	TBC Nov 26 Exit Meeting	9 Dec 26
Set the action plan arising from auditor recommendations from the Regulation 17 review.	Not applicable – next due 2027					
Receive an update on the action plan arising from auditor recommendations from the <b>2027</b> Regulation 17 review (until all action items are completed).	Not applicable – next due 2027					
Financial Management Systems Triennial Review (report next Due: March 2028)						
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.	Not applicable – next due 2028					
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not applicable – next due 2028					
Receive an update on the action plan arising from auditor recommendations from the <b>2025</b> Financial Management Systems Review.	●		●	●		●
Receive an update on the action plan arising from auditor recommendations from the <b>2028</b> Financial Management Systems Review.	Not applicable – next due 2028					
Governance Health Review						
To consider the Governance Health Review, and report to the Council the results of that review when undertaken.			●			
Set the action plan arising from the recommendations from the review.			●			
Receive an update on the action plan arising from the recommendations from the review.				●		●

AUDIT AND RISK COMMITTEE – 2026 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	11 Mar 26	*TBC Apr 26 Entrance Meeting	10 Jun 26	9 Sep 26	TBC Nov 26 Exit Meeting	9 Dec 26
Undertake an independent external assessment of the Committee. This assessment may be included in the scope of the Governance Health Review.			●			
Information Systems Security Audit (report next Due: December 2026)						
Receive the audit report arising from the 2 yearly Information Systems Security Audit. Report Next Due: 31-12-2026						●
Set the action plan arising from the recommendations from the Information Systems Security Audit. Report Next Due: 31-12-2026						●
Receive an update on the action plan arising from the recommendations from the 2026 Information Systems Security Audit.	Not applicable – next due 2027					
Business Continuity Plan (report next Due: December 2026)						
To consider the Business Continuity Plan (including disaster recovery) review every 2 years (or after a major event or incident). Current Plan reviewed: Audit and Risk Committee December 2024 Res AAR:30-24						●
Receive a summary report on the testing of the 2024 Business Continuity Plan after each test exercise.				●		
Receive a summary report on the testing of the 2026 Business Continuity Plan after each test exercise.	Not applicable – next due 2027-2028					

*A minimum of four committee meetings per annum is required.*

*\* An informal meeting is generally scheduled for April 2025 that serves as an audit 'entrance' meeting with Council's appointed Auditors, Chair and Deputy Chair as representatives of the Audit and Risk Committee, and management.*

END REPORT

10.6                      2025 Financial Management System Review

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Rehan Shahid – Acting Director Corporate &amp; Governance</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti – Corporate Excellence &amp; Compliance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995 Local Government (Financial Management) Regulations 1996</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR 10.6 - Risk Assessment Confidential Attachment B – Under Separate Cover</i>

**DECLARATION OF INTEREST**

Mr A. Schönfeldt declared an Impartiality Interest in this item.

Please refer to Part 9 'Declaration of Interest' for full details.

**Overview**

This report provides the Audit and Risk Committee with an update on the findings from the Financial Management System Review (FMSR) audit undertaken in February 2025, and managements progression towards closing out the findings.

**Change to Officer Recommendation**      -              No Change.

**OFFICER RECOMMENDATION & AUDIT & RISK COMMITTEE RESOLUTION**

AAR 39-25      MOVED –              Cr T G Gardiner              SECONDED –      Cr B S Farrant

**THAT the Audit and Risk Committee recommends that Council:**

- 1.      Receives the December 2025 update report on the implementation of actions required from the findings of the Financial Management Systems Review (FMSR).**
- 2.      Grants an extension on the completion date for finding 7.2.1 Plans and Policies to the 31<sup>st</sup> March 2026, to provide sufficient time to incorporate the independent fleet assessment findings into a comprehensive and well-informed fleet policy review.**

CARRIED  
3/0

<i>FOR THE MOTION</i>	<i>AGAINST THE MOTION</i>
Cr T G Gardiner Cr M R Hutchinson Cr B S Farrant	

## Background

The purpose of the Financial Management Systems Review is to assist the CEO in fulfilling his responsibilities under Section 6.10 of the *Local Government Act 1995* and Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*, which details the CEO's duties as to financial management.

The FMSR is in accordance with *Local Government (Financial Management) Regulation 5(2)(c)*, whereby the Shire of Dardanup is required to regularly review the appropriateness and effectiveness of its financial management systems and procedures (not less than once in every 3 financial years) and report to Council the results of those reviews.

This review was undertaken by AMD Chartered Accountants in February 2025 with a copy of the report presented to the Audit and Risk Committee at the March 2025 meeting (refer to Confidential Attachment B - under separate cover). The audit report contained 6 findings, and Council resolved to receive an update report through the Audit and Risk Committee on the actions required from the findings of the FMSR Audit to each committee meeting until resolved [Res: OCM 61-25].

This report has been compiled in direct response to Council's resolution.

## Legal Implications

-

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

5 (2) The CEO is to —

- c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

## Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

## Environment

-

None.

## Precedents

The Audit and Risk Committee received update reports on the findings of the 2025 Financial Management Systems Review at its June and September 2025 meetings

## Budget Implications

Implementing the findings from the Financial Management Systems Review requires only staff time, which is accommodated within the existing staff budget allocation.

Future reviews will be budgeted as an expenditure under Audit Fees in the annual budget for the relevant financial year

## Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

### Council Policy Compliance

Nil Council Policy.

Delegation 1.3.8 Financial Management Systems and Procedures.

### Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 10.6) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Event	Financial Management Systems Review	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Failure to fulfil obligations pursuant to the Local Government (Financial Management) Regulations 1996, Regulation 5.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

### Officer Comment

On completion of the review in February 2025, AMD Chartered Accountants issued a written report to the CEO to meet the requirements of Regulation 5(1) under the *Local Government (Financial Management) Regulations 1996*, being the Financial Management System Review, and did not extend to any financial report of the Shire.

The following table provides a summary of the findings raised in the report, together with management comment:

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
<b>3</b>	<b>Custody and security of money</b>				
<b>3.2.1</b>	<p><b>End of Day Receipting Procedures</b> Sample testing identified three exceptions in respect to end of day receipting procedures.</p> <p>Our sample testing of 20 end of day procedures at each cash collection location identified 3 instances whereby the daily banking reconciliation was not signed as evidence of independent review. The 3 exceptions identified occurred at the Eaton Administration Office.</p> <p><b>Implications / Risks</b> Increased risk of fraud or error occurring in respect of daily banking.</p> <p><b>Recommendation</b> We recommend that all daily banking reconciliations are reviewed by an officer separate from the individual</p>	Low	Manager Governance	1 March 2025	Completed

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	<p>completing the daily banking function, and the reconciliation is signed by the reviewer to evidence the independent review has occurred.</p> <p><b>Management Comment</b> The Shire has strong segregation of duties, that span across the Finance and Governance departments in relation to cash and bank handling. The Governance Department 'receipt' the cash, while the Finance Department 'bank' the cash. A final independent review is undertaken by the Finance Coordinator as part of the monthly bank reconciliation process.</p> <p>While management accepts that 3 instances of the daily banking sheets weren't independently verified by another officer as part of the 'daily' cash handling process, management have confidence in the segregation of duties, and subsequent final independent review undertaken by the Finance Coordinator as part of the 'monthly' bank reconciliation process.</p> <p><b>Action:</b> Customer Service Officers will be reminded of their duty in the cash handling process to ensure daily banking sheets are independently verified.</p>				
3.2.2	<p><b>Physical Security</b> Safe code at the Eaton Recreation Centre is not changed on a periodic basis.</p> <p>Observations and enquiries made during our site visits identified that safe codes at the Eaton Recreation Centre are not changed on a periodic basis nor when an employee who has safe code access terminates employment.</p> <p><b>Implications / Risks</b> Lack of appropriate internal controls over security of Council assets.</p> <p><b>Recommendation</b> We recommend safe codes be changed on a periodic basis, and subsequent to employees who previously had access to the safe codes resigning or terminating.</p> <p><b>Management Comment</b> Management accepts this finding for the Eaton Recreation Centre (ERC) and will implement a process on changing the safe code on a quarterly basis. Management will ensure this procedure is communicated to all staff, and that the process is adhered to. In addition, ERC facility access will be verified, and plans for future expansion will consider the safe custody of monies.</p> <p>To note, cash is removed from the premises twice weekly, banked and reconciled to the bank statement as part of the monthly bank reconciliation process, which is independently verified by the Finance Coordinator.</p> <p><b>Action:</b> Safe code to be changed on a quarterly basis, with the process documented in a formalised Shire procedure.</p>	Low	Manager Recreation Services	31 May 2025	Completed
4	<b>Maintenance and security of financial records</b>				
4.2.1	<p><b>Tender Management</b> We note there is no documented requirement to complete a formal post tender performance evaluation following the completion of significant or critical project/service tenders.</p> <p><b>Implications / Risks</b> Lack of formalised documentation evidencing tender performance assessment.</p> <p><b>Recommendation</b> We recommend formal performance evaluation assessments</p>	Moderate	Director Corporate & Governance	31 December 2025	Completed

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	<p>be undertaken following the completion of tendered projects and services exceeding a predetermined expenditure threshold, or considered to be critical in nature.</p> <p>We recommend a tender performance evaluation procedure be documented, implemented through the communication to all staff and monitored on an ongoing basis to ensure compliance with stated procedures. We suggest it may be useful for the procedure to include standard compliance checklist, in particular for the monitoring of ongoing service contracts.</p> <p><b>Management Comment</b> The Shire has a Procurement Framework in place that incorporates 'contract management', and in particular:</p> <ul style="list-style-type: none"> <li>- Contract Establishment</li> <li>- Contract Management: administration, performance management and KPI's</li> <li>- Contract Extension or Close</li> </ul> <p><b>Action</b> Further action has been taken to instruct project managers to document a "Procurement Framework-Contractor Performance Report" post completion of the project for each of the on-going and future contracts. This report will enable management to assess and document the performance review of each of contractors for future reference. Work is also underway to complete this report for past significant projects already completed during FY2024/25 in the interest of completeness.</p>				
<b>6</b>	<b>Authorisation for incurring liabilities and making payments</b>				
<b>6.2.1</b>	<p><b>Fuel Usage – Depot</b> No record maintained for jerry can fuel usage.</p> <p>During the course of our review, discussion and observations indicated there is currently a fuel card assigned to 'jerry cans' however there is no formal record kept in relation to the usage of the fuel from jerry cans.</p> <p><b>Implications / Risks</b> Increased risk of misappropriation or misuse of fuel going undetected.</p> <p><b>Recommendation</b> We recommend a fuel register be developed and maintained in respect to fuel usage from jerry cans.</p> <p><b>Management Comment</b> Management accepts this finding which is for a 'Sundry Plant' fuel card, with the sole intention of this card to be used to refill Jerry Cans for fuel for small plant items. A Fuel register will be developed and maintained in respect to fuel usage from jerry cans.</p> <p><b>Original Action:</b> implement a Fuel Register for the 'Sundry Plant' fuel card.</p> <p><b>Amended Action:</b> reduce the daily limit on the 'Sundry Plant' fuel card to \$500 and continue to monitor the usage on a monthly basis. Remove the requirement to implement a Fuel Register for this particular fuel card, as this is deemed too cumbersome and is not industry best practice.</p> <p><b>Audit and Risk Committee further recommendation:</b> requests that the CEO undertake an annual audit of jerry can fuel distribution to track fuel usage. Refer Res AAR 24-25.</p>	Low	Manager Operations	31 May 2025	Completed
<b>7</b>	<b>Maintenance of payroll, stock control and costing records</b>				
<b>7.2.1</b>	<p><b>Plans and Policies</b> We note the Light Vehicle Policy is prescriptive in nature, detailing specific vehicle makes and models available to the Shire for purchase. The policy includes some specific vehicle models that are either no longer available for purchase, or difficult to source locally.</p> <p>We note the recent purchase of 5 motor vehicles by the Shire</p>	Low	Director Corporate & Governance	<p>Proposed Extension Date: 31 March 2026</p> <p>Original Due Date:</p>	In Progress

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	<p>in November 2024 at a quoted cost of \$258,685; whereby only 1 tender response was received. The tender response was scored 3.1 out of 10 by the tender evaluation panel, and the quoted cost accepted exceeded budget by 10.2% or \$26,485.</p> <p><b>Implication / Risk</b> There is an increased risk of inefficient procurement procedures.</p> <p><b>Recommendation</b> We recommend the Light Vehicle Plan be reviewed and enhancements made to allow for a more effective procurement procedure in respect of the purchase of light fleet vehicles.</p> <p><b>Management Comment</b> AP009 Light Vehicle Fleet Policy is an Administration Policy, that is underpinned by Council Policy CP203 Light Vehicle Fleet Policy which is the guiding policy document.</p> <p>CP203 was reviewed in October 2024, and AP009 is currently under review with EMT (was due 30-09-2024). Management will be seeking support from Council/EMT to amalgamate CP203 and AP009 into one guiding Council Policy moving forward.</p> <p><b>Action:</b> Finalise the current review of AP009 Light Vehicle Policy and moving forward seek support to amalgamate CP203 and AP009 into one guiding Council Policy.</p>			31 December 2025	
7.2.2	<p><b>Excessive Leave Balances</b> We noted three employees with excessive leave balances.</p> <p>From our review of the annual leave listing provided to us at the time of our review, we noted three employees who have accrued in excess of eight weeks annual leave.</p> <p><b>Implication / Risk</b> The cost to Council is greater if annual leave is not paid out on a regular basis due to the cumulative effect of salary increases over a period of time. Recreational leave enhances employee performance. It is a fundamental principle of good internal control that all employees take regular holidays.</p> <p><b>Recommendation</b> We recommend leave balances be managed to reduce the number of employees with excess leave due.</p> <p><b>Management Comment</b>  This FMSR review is up until the 31<sup>st</sup> of December 2024, however the Annual Leave Accrual Report provided was for actuals as at 30<sup>th</sup> of June 2024.</p> <p>Since the June 2024 accrual report was provided, Employee No. 716 has left the organisation, and as such has had the accrued annual leave paid out on termination.</p> <p>Employee No. 884 reduced annual leave by taking:</p> <ul style="list-style-type: none"> <li>- 91.20 hours in July 2024; and</li> <li>- 83.60 hours in January 2025.</li> </ul> <p>Employee No. 584 reduced annual leave by taking:</p> <ul style="list-style-type: none"> <li>- 68.40 hours in December 2024/January 2025.</li> </ul> <p>Remaining leave accruals are planned to be reduced in the coming year for both employees.</p> <p>The Executive, Management and Human Resources, receive monthly leave accrual reports from Payroll, who highlight those staff with excessive leave accruals. Any excessive leave accruals are discussed with the staff member, and a plan (such as a future leave form) is put in place to reduce the</p>	Low	Manager HR	31 March 2025	Completed



Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	<p>accrual.</p> <p>In addition, the 6-monthly Risk Review, which is reported to the Executive Management Team, incorporates indicators that highlight the percentage of staff with greater than 20 days of accrued leave.</p> <p><b>Action:</b> the Executive, Management and Human Resources will continue to review leave accrual reports from Payroll on a monthly basis and manage their respective staff with excessive accruals accordingly.</p>				

The following action item is still in progress:

#### *7.2.1 Plans and Policies:*

The review of fleet policies is currently underway and is being enhanced by an independent fleet assessment. This assessment will provide valuable insights to guide future policy updates and inform strategic fleet management decisions.

Given the additional scope and complexity introduced by the external assessment, management seeks approval to extend the completion date for this action from the 31<sup>st</sup> December 2025 to the 31<sup>st</sup> March 2026. This extension will ensure sufficient time to incorporate the assessment findings into a comprehensive and well-informed policy review.

#### *Conclusion:*

If the extension is approved, management will continue working toward finalising the remaining action item by the 31<sup>st</sup> March 2026. Progress updates will be provided to the Audit and Risk Committee at its next meeting until the item is fully completed.

END OF REPORT

## 10.7 Office of the Auditor General Reports

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Rehan Shahid – Acting Director Corporate &amp; Governance</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti – Corporate Excellence &amp; Compliance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR 10.7A – Risk Assessment AAR 10.7B – Schedule of Reports (OAG Annual Report) AAR 10.7C – Performance Audit</i>

### **Overview**

This report outlines the Western Australian Auditor General reports published since the September 2025 committee meeting, ensuring the Audit and Risk Committee remains informed of recent developments.

**Change to Officer Recommendation** - No Change.

### **OFFICER RECOMMENDATION & AUDIT & RISK COMMITTEE RESOLUTION**

AAR 40-25      MOVED –      Cr B S Farrant      SECONDED –      Cr M R Hutchinson

**THAT the Audit and Risk Committee recommends that Council receives the December 2025 report on the Western Australian Auditor General – Schedule of Reports (Appendix AAR 10.7B).**

CARRIED  
3/0

<i>FOR THE MOTION</i>	<i>AGAINST THE MOTION</i>
Cr T G Gardiner Cr M R Hutchinson Cr B S Farrant	

### **Background**

The *Local Government Amendment (Auditing) Act 2017*, proclaimed on the 28<sup>th</sup> October 2017, introduced legislative changes to the *Local Government Act 1995* to enable the Auditor General to audit local governments.

The Act also established a category of audits known as *performance audits*, which assess the economy, efficiency, and effectiveness of various aspects of local government operations. Findings from these audits often highlight issues that may also exist in other local governments beyond those examined. In addition, the Auditor General publishes guides to support good governance practices within local government operations.

The Auditor General encourages all local governments—not just those audited—to periodically review their own practices against the risks and controls identified in performance audit reports and guides. Evaluating our performance against these findings and reporting outcomes to the Audit and Risk Committee is considered an essential component of compliance management under Regulation 17.

## Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, r17

*Reg 17. CEO to review certain systems and procedures*

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
  - (a) risk management; and*
  - (b) internal control; and*
  - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review.*

## Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

## Precedents

The Audit and Risk Committee received a report at its September 2025 meeting addressing OAG reports issued between May and August 2025.

## Budget Implications

Monitoring and assessing OAG reports is a critical responsibility of the Corporate Excellence & Compliance Officer, supporting good governance and compliance under Regulation 17. The cost to Council is primarily staff time and, where required, IT/software resources.

## Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

**Council Policy Compliance** - None.

## Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:10.7A) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	Western Australian Auditor General – Schedule of Reports
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Category Assessed Against	Legal and Compliance	Not considering the risks, controls and recommendations arising from the Auditor General’s report could have an impact on Council not meeting its compliance requirements.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

### Officer Comment

Council staff adopt a proactive approach by reviewing each issue, finding, and recommendation in OAG reports to benchmark against internal controls and processes, aiming for industry best practice. Extracting relevant insights and opportunities from these reports supports continuous improvement and informed decision-making.

Since the last committee meeting, there have been two (2) reports released by the OAG that are of interest to the local government sector. The reports are reflected in the table below together with officer comment:

DATE	REPORT NO	REPORT	APPENDIX
25 September 2025	-	Office of the Auditor General Annual Report 2024-25	AAR:10.7B
12 November 2025	3	Performance Audit <i>Maintaining Regional Local Roads</i>	AAR:10.7C

- *Office of the Auditor General – Annual Report 2024-25*

The OAG Annual Report 2024–25 provides a comprehensive account of the Auditor General’s activities for the financial year ending 30<sup>th</sup> June 2025. It outlines the OAG’s performance, audited financial statements, and key achievements under its Strategic Plan 2021–2025, which concluded this year. The report is structured around four result areas:

- Strengthening capability
- Demonstrating excellence
- Delivering results
- Adapting and innovating

Key highlights include:

- 24 reports tabled in Parliament;
- 305 audit opinions issued on financial statements;
- 50 certifications of financial and statistical information;
- Engagement initiatives such as Audit Committee Chair Forums and Fraud Resilience Forums; and
- Continued focus on accountability, transparency, and performance improvement across the public sector.

Relevance to Local Government:

The OAG plays a critical role in auditing both State and local government entities, ensuring compliance, financial integrity, and operational effectiveness. For local governments, this report reinforces several important points:

- **Mandatory Audits:** Under the *Local Government Amendment (Auditing) Act 2017*, the Auditor General is responsible for auditing local government financial statements and performance.
- **Performance Audits:** These audits assess economy, efficiency, and effectiveness in local government operations. Findings often highlight systemic issues that may apply across multiple councils, not just those audited.
- **Guidance for Best Practice:** The OAG publishes guides and encourages all local governments to benchmark their internal controls and governance practices against audit findings and recommendations.
- **Continuous Improvement:** Local governments are urged to periodically review risks and controls identified in OAG reports to strengthen governance and compliance under Regulation 17.

For the Shire's Audit and Risk Committee, this report:

- Provides insight into sector-wide governance trends and risks.
- Highlights opportunities for benchmarking internal processes against best practice.
- Supports compliance obligations under Regulation 17 by encouraging proactive review of OAG findings.
- Reinforces the importance of fraud resilience, financial reporting quality, and IT system security, which are recurring themes in OAG audits of local governments.

### *Report 3: Maintaining Regional Local Roads:*

The Auditor General's report, tabled on 12 November 2025, assessed whether regional local government entities effectively manage the maintenance of their local roads. The OAG considered if entities had a structured and risk-based approach to managing their roads, including if they had appropriate information on road condition and understood the funding available to maintain roads.

Key context:

- WA's regional local road network spans 113,000 km, covering 2.5 million square km (one-third of Australia's land area).
- Regional local roads account for 90% of WA's local roads, maintained by 107 local governments of varying size and capability.
- Despite their importance—regional WA contributes ~40% of the State's Gross State Product (GSP)—the audit found significant challenges in maintaining these roads.
- The WA Local Government Association (WALGA) reported that total expenditure on local government roads was just above \$1 billion in 2023-24, with around \$752 million spent on maintenance and renewal of all local road assets. Almost half of the \$1 billion was funded from LG entities' own sources of revenue, with the other half funded from:
  - \$253 million from the State Road Funds to Local Government Agreement 2023-24 to 2027-28 (Local Government Agreement)
  - \$136 million in Financial Assistance Grants provided by the Australian Government
  - other grants including Roads to Recovery, Black Spot and the Wheatbelt Secondary Freight Network funding

Key Findings:

1. **Lack of Reliable Data**
  - There is no consolidated picture of road condition or maintenance backlog.
  - Inconsistent asset management practices hinder planning and prioritisation.
2. **Capability and Capacity Gaps**
  - Many regional LGs lack technical expertise and systems to manage roads effectively.
  - Recruitment and retention of qualified staff remain major challenges.
3. **Funding Constraints**

- Current funding models (e.g., Local Government Agreement allocating 20% of vehicle licence fees to local roads) are outdated and do not reflect actual needs.
  - Financial Assistance Grants have not been reviewed since 1990 and fail to consider road condition or LG revenue capacity.
4. External Pressures
- Heavy haulage and severe weather events are accelerating road deterioration, increasing costs and risks.
  - Some repairs take years and cost millions.

#### Implications for Local Governments:

- Strategic Planning: Councils must improve road condition data collection and adopt risk-based asset management.
- Funding Advocacy: There is a need to push for reforms in funding models to better align with local conditions and capacity.
- Workforce Development: Addressing skills shortages and leveraging shared services or regional collaboration is critical.
- Technology Adoption: New technologies and shared practices can help improve efficiency and planning.

#### What This Means for the Shire of Dardanup

While Dardanup is not among the five audited entities, the findings are sector-wide and relevant:

- Benchmarking: Review current road maintenance practices against OAG recommendations.
- Data Improvement: Ensure accurate condition assessments for local roads to support proactive maintenance.
- Risk Management: Incorporate heavy vehicle usage and climate resilience into asset planning.
- Continuous Improvement: Use this report as a guide for compliance under Regulation 17 and to strengthen governance.

#### Conclusion

The process of reviewing OAG reports will continue to be applied to all future reports and guides issued by the Auditor General. This analysis provides Council with increased assurance regarding the effectiveness of internal controls and processes across its operations

END REPORT

<b>11. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN</b>
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None.

<b>12. NEW BUSINESS OF AN URGENT NATURE</b>
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[Please Note: This is Not General Business – This is for Urgent Business Approved by the Person Presiding or by Decision. In cases of extreme urgency or other special circumstance, matters may, with the consent of the person presiding, or by decision of the members present, be raised without notice and decided by the meeting.]

None.

**13. MATTERS BEHIND CLOSED DOORS**

None.

**14. CLOSURE OF MEETING**

The date of the next Audit & Risk Committee Meeting will be Wednesday, 11<sup>th</sup> of March 2026 at 3.30pm.

There being no further business the Chairperson to declare the meeting closed at 2.38pm.