Shire of Dardanup

AGENDA

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 11th June 2025
Commencing at 2.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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Shire of Dardanup

NOTICE OF AN AUDIT & RISK COMMITTEE MEETING

Dear Committee Member

The Audit & Risk Committee Meeting of the Shire of Dardanup will be held on Wednesday 11th June 2025 to be held at the Eaton Administration Centre - commencing at 2.00pm.

MR ANDRÉ SCHÖNFELDT
Chief Executive Officer

Date: 6th June 2025

Note: If interested persons would like to make comment on any items in this agenda, please email records@dardanup.wa.gov.au or hand deliver written comment to the Shire of Dardanup – Administration Centre Eaton, 1 Council Drive, Eaton. To be included in the meeting comments are to be delivered no later than 48 hours prior to the meeting.

The Chief Executive Officer will use his discretion as to whether the written comments are relevant and applicable to the meeting before approving their inclusion in the meeting.

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 T GARDINER
- CR. E LILLY
- CR. M HUTCHINSON
- CR. S. GILLESPIE
- CR. J. MANONI

AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:
2023 - 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	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. 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.

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

Inherent Risk	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.
Residual Risk	The remaining level of risk following the development and implementation of Council's response.
Strategic Context	These risks are associated with achieving Council's long term objectives.
Operational Context	These risks are associated with the day-to-day activities of the Council.
Project Context	Project risk has two main components: • Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives. • Indirect refers to the risks which threaten the delivery of project outcomes.

RISK CATEGORY CONSEQUENCE TABLE - GUIDELINE

Rating (Level)	Health	Financial Impact	Service Interruption	Legal and Compliance	Reputational	Environmental	Property
Insignificant (1)	Near miss Minor first aid injuries	Less than $10,000	No material service interruption - backlog cleared < 6 hours	**Compliance** - No noticeable regulatory or statutory impact. **Legal** - Threat of litigation requiring small compensation. **Contract** - No effect on contract performance.	Unsubstantiated, low impact, low profile or 'no news' item. **Example:** Gossip, Facebook item seen by limited persons.	Contained, reversible impact managed by on site response.	Inconsequential or no damage.
Minor (2)	Medical type injuries	$10,001 - $50,000	Short term temporary interruption – backlog cleared < 1 day	**Compliance** - Some temporary non compliances. **Legal** - Single minor litigation. **Contract** - Results in meeting between two parties in which one party expresses concern.	Substantiated, low impact, low news item. **Example:** Local paper / Industry news article, Facebook item seen by multiple groups.	Contained, reversible impact managed by internal response.	Localised damage rectified by routine internal procedures.
Moderate (3)	Lost time injury <30 days	$50,001 - $300,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	**Compliance** - Short term non-compliance but with significant regulatory requirements imposed. **Legal** - Single moderate litigation or numerous minor litigations. **Contract** - Receive verbal advice that, if breaches continue, a default notice may be issued.	Substantiated, public embarrassment, moderate impact, moderate news profile. **Example:** State-wide paper, TV News story.	Contained, reversible impact managed by external agencies.	Localised damage requiring external resources to rectify.
Major (4)	Long-term disability/ multiple injuries Lost time injury >30 days	$300,001 - $1.5 million	Prolonged interruption of services – additional resources; performance affected < 1 month	**Compliance** - Non-compliance results in termination of services or imposed penalties. **Legal** - Single major litigation or numerous moderate litigations. **Contract** - Receive/issue written notice threatening termination if not rectified.	Substantiated, public embarrassment, high impact, high news profile, third party actions. **Example:** Australia wide news stories. Regulatory / Political commentary involvement.	Uncontained, reversible impact managed by a coordinated response from external agencies.	Significant damage requiring internal & external resources to rectify.
Catastrophic (5)	Fatality, permanent disability	More than $1.5 million	Indeterminate prolonged interruption of services – non-performance > 1 month	**Compliance** - Non-compliance results in litigation, criminal charges or significant damages or penalties. **Legal** - Numerous major litigations. **Contract** - Termination of contract for default.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions. **Example:** Worldwide news, Focused articles (e.g. 60 minutes). Regulatory / Political oversight and involvement.	Uncontained, irreversible impact.	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment & building.

RISK - LIKELIHOOD TABLE

LEVEL	RATING	DESCRIPTION	FREQUENCY
5	Almost Certain	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	Likely	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	Possible	The event should occur at some time	The event should occur at least once in 3 years
2	Unlikely	The event could occur at some time	The event could occur at least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	The event is not expected to occur more than once in 15 years

LEVEL OF RISK GUIDE

CONSEQUENCE / LIKELIHOOD		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	Moderate (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Moderate (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

SHIRE OF DARDANUP

AGENDA FOR THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING TO BE HELD ON WEDNESDAY, 11TH OF JUNE 2025, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson to declare the meeting open, welcome those in attendance and refer 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.

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

2.1 Attendance

2.2 Apologies

3 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

None.

4. PUBLIC QUESTION TIME

5. PETITIONS/DEPUTATIONS/PRESENTATIONS

None.

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

6.1 Minutes - Audit and Risk – 12th March 2025

OFFICER RECOMMENDED RESOLUTION

THAT the Minutes of the Audit & Risk Committee Meeting held on 12th of March 2025, be confirmed as true and correct subject to no / the following corrections:

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.

10. REPORTS OF OFFICERS AND COMMITTEES

10.1 Title: Western Australian Auditor General – Schedule of Reports

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officer	*Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995* *Local Government (Audit) Regulations 1996*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix AAR 10.1A: Risk Assessment Tool – Western Australian Auditor General – Schedule of Reports* *Appendix AAR 10.1B: Report 11 - Local Government 2023-2024 Information Systems Audit Report* *Appendix AAR 10.1C: Report 12 – Local Government 2023-24 Financial Audit Results*

Overview

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that have been released since the March 2025 committee meeting.

AUDIT & RISK COMMITTEE - OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommend that Council:

1. **Receive the June 2025 report on the Western Australian Auditor General – Schedule of Reports.**

2. **Acknowledge that the Shire of Dardanup has once again been positively recognised by the Office of the Auditor General as a top 20 achiever for 2023-2024 as a 'best practice entity' for financial reporting practices.**

Change to Officer Recommendation

No Change. **OR:**
As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on the 28th of October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a category of audits known as 'performance audit reports' which examine the economy, efficiency, and effectiveness of any aspect of a local government's operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases 'guides' to help support good governance within a local government's operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing our performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be viewed as a vital component of managing compliance reporting 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 previously received a report at the March 2025 meeting that responded to the reports released by the OAG from January 2025 to March 2025.

Budget Implications

As part of the Corporate Excellence & Compliance Officer role, regular monitoring and assessment of reports released by the OAG is deemed a matter of good governance and a vital component of managing compliance under Regulation 17. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

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 10.1A) 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.	
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 take an active approach by reviewing each 'Issue', 'Finding' and 'Recommendation' as contained in any report released by the OAG to benchmark against Council's own internal controls and processes working towards an industry 'best practice standard'. Identifying relevant messages and opportunities from these reports leads to 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
11 April 2025	11	Performance Audit *Local Government 2023-2024 Information Systems Audit Report*	AAR: 10.1B
24 April 2025	12	Financial Audit Results *Local Government 2023-2024*	AAR: 10.1C

- *Report 11: 2023-2024 Information Systems Audit Report*

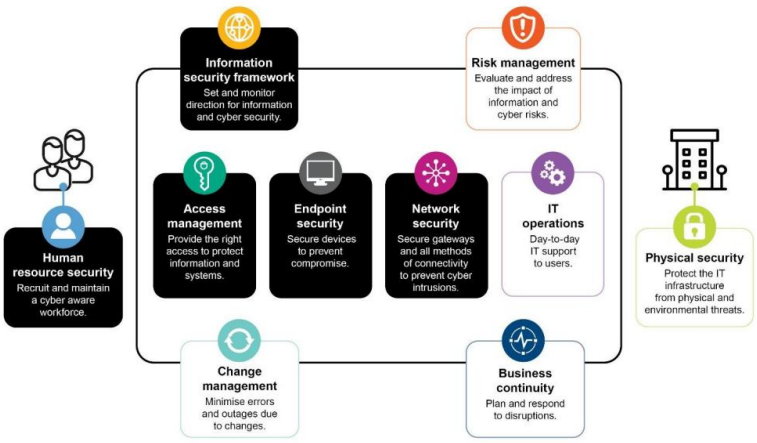
The OAG has released its annual Information Systems Audit report, that summarises the results of the 2023-2024 annual cycle of information systems audits for local government entities.

The OAG acknowledges that Local government entities rely on information systems and technology to help deliver services to the public and prepare their financial information. As Australia is one of the most targeted countries through cyber attacks, it is important entities manage risks, beyond the purely operational, to protect the confidentiality, integrity and availability of their systems and information. This includes safeguarding personal information the public shares with entities like when paying rates, joining the local library and applying for a home building permit. Strong and well operating controls are a crucial defence to ever increasing cyber threats, enabling entities to safeguard their data, systems and information technology (IT) environments from potential security breaches.

Each year, as part of the OAG's annual financial audit program, the OAG and respective contract audit firms assess entities' general computer controls to determine if information and key systems are appropriately protected. The OAG also conducts in-depth capability maturity assessments at a sample of entities to obtain a more detailed understanding of the sector's maturity.

The OAG's audit has noted an improvement since last year's audit with a decrease in findings, and an improvement in the capability maturity assessments conducted at the 11 sample entities. However, the OAG does note a concern in the five categories that relate to information and cyber security controls that continues to be a high concern.

The OAG's audit focused on the following 10 categories:



Source: OAG Report 11 Information Systems Audit 2023-2024 Local Government
Note: shaded categories relate to information and cyber security.

Management have reviewed the report and the findings from each of the 10 categories.

- *Report 12: Financial Audit Result 2023-2024 – Local Government*

This report summarises the results of 147 local government entities' annual audits for the year ended 30 June 2024.

The OAG acknowledges that an area of improvement for this reporting period was a reduction in the number of qualified audit opinions, which was partially driven by legislative relief around valuations of infrastructure and property, plant and equipment. The overall number of financial management findings also decreased, with the OAG commending the Department of Local Government, Sport and Cultural Industries (DLGSC) in its actions to support the sector.

Timeliness was also another area of improvement, however, the OAG continues to observe a bottleneck of audit signoffs in December. They also still experience multiple financial statement versions submitted for audit and high error rates in those versions. These challenges further contribute to increased audit effort and costs, and delay audits.

DLGSC and entities are encouraged to consider the recommendations included in this report, and draw on the OAG better practice guides, to streamline financial reporting and auditing processes. The OAG is hopeful that the significant progress made by the local government sector will be maintained for the 2024-2025 season.

Summary of audit results for the past two years:

Audit year	2022-23	2023-24
Number of entities subject to OAG audit	147	147
Number of entity audits included in results report	137	135
Number of entity audits included in updated statistics[2]	146[2]	N/A
Clear (unqualified) audit opinions	132[2]	129
Qualified opinions	12[2]	6
Disclaimer of opinion	2[2]	0
Material uncertainty related to going concern	1	1
Emphasis of matter paragraphs	18[2]	18

Source: OAG Report 12 Financial Audit Result 2023-2024 – Local Government

The OAG has once again recognised the Shire of Dardanup as a top 20 'best practice entity' for financial reporting practices. The quality of financial reporting is measured against the following criteria:

- timeliness of CEO-certified financial report
- quality of financial report (financial statements and notes)
- quality of working papers that support the financial report
- management resolution of accounting matters
- key staff availability during the audit
- number and significance of management letter findings
- clear opinion with no EoM or other audit report modifications.

Best practice top 20 entities	
• City of Albany*	• Shire of Esperance*
• Town of Bassendean	• Shire of Exmouth
• Shire of Beverley*	• Shire of Irwin*
• Shire of Brookton*	• Shire of Lake Grace
• Shire of Chapman Valley	• Shire of Menzies
• Shire of Christmas Island	• Shire of Mundaring
• Shire of Cue*	• Shire of Murray
• Shire of Dardanup*	• Shire of Perenjori*
• Shire of Denmark*	• Shire of Three Springs*
• Shire of Dumbleyung*	• City of Vincent

Source: OAG

** Indicates entities which received best practice in the 2022-23 report.*

Source: OAG Report 12 Financial Audit Result 2023-2024 – Local Government

For future audits, the OAG is investigating new tools and techniques to assist with audits, with the mention of the use of Artificial Intelligence (AI). For AI to be used by entities, there must be an understanding of what will be generated by it and how the information is planned to be used (e.g. for key decision making).

The Shire's finance team are committed to maintaining robust financial reporting processes ensuring legislative and policy compliance is adhered to. The team will continue to strive towards the best practice measurements set by the OAG for future audits.

Conclusion

The OAG report review process will continue to be applied to future reports and guides released by the Auditor General. The analysis of these reports provides Council with a greater level of confidence in internal control practices and processes throughout Council operations.

END REPORT

10.2 Title: Biannual Risk Management Dashboard Report

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officers	*Mrs Cindy Barbetti - Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17*
Council Role	*Legislative.*
Voting Requirement	*Simple Majority.*
Attachments	*Confidential Attachment "A" – Biannual Risk Dashboard Report* *Appendix AAR 10.2: Risk Assessment Biannual Risk Management Systems Review*

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.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommend that Council receive the biannual Risk Management Dashboard Report for this reporting period, as provided for in (Confidential Attachment "A" – Under Separate Cover).

Change to Officer Recommendation

No Change. **OR:**
As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

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**
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			● This meeting		● Not yet due

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
4th December 2019	AAR 05-19
3rd June 2020	AAR 14-20
7th December 2020	AAR 26-20
16th June 2021	AAR 08-21
1st December 2021	AAR 31-21
8th June 2022	AAR 09-22
7th December 2022	AAR 27-22
14th June 2023	AAR 10-23
6th December 2023	AAR 33-23
12th June 2024	AAR 08-24
11th December 2024	AAR 27-24

Budget Implications

As part of the Corporate Excellence and Compliance Officer role, regular reporting of the Risk Management Governance Framework is essential. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

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 10.2) 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	Legal and Compliance	Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.
	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

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 30 treatments/action plans in place, compared to 18 last reporting period. Since the last review, 13 new treatments have been added, with 1 being completed in the last 6 months. As treatments are cleared or completed, they are removed from the Dashboard.

Table 1 – Treatment Plan Summary

(Last reporting period)			**(This reporting period)**		
Total	**Completed**	**In Progress**	**Total**	**New**	**In Progress**
18	1	17	17	13	30

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 10 combined controls are rated as 'Adequate' and 6 are rated as 'Effective'.

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for December 2025.

END REPORT

10.3 Title: Regulation 17 Triennial Review – June 2025 Update Report

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officers	*Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995* *Local Government (Audit) Regulations 1996*
Council Role	*Legislative.*
Voting Requirement	*Simple Majority.*
Attachments	*Confidential Attachment "B" - 2023/2024 Regulation 17 Review Report* *Appendix AAR 10.3: Risk Assessment 2023 – 2024 Regulation 17 Review*

Overview

The purpose of this report is to provide the Audit and Risk Committee with an update on the findings from the audit undertaken in February 2024 pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommend that Council receive the June 2025 update report on the implementation of actions required from the findings of the 2023/2024 Regulation 17 Review.

Change to Officer Recommendation

No Change. **OR:**
As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

Local Government (Audit) Regulations 1996, Regulation 17 prescribes a number of matters that are to be reviewed by a local governments audit committee. These matters are in relation to:

a) Risk management,
b) Internal control; and
c) Legislative compliance.

In February 2024, AMD Chartered Accountants (AMD) conducted an external Regulation 17 Review (the 'review') with the scope of work based on the Local Government Operational Guidelines - Number 09 (refer pages 17-19 of the guideline). In addition, management included in the review an audit of the preparedness of the local government in terms of mitigating cyber security risks, with particular focus on the recently adopted Cyber Security Framework.

The review was for the 3-year period ended 31st of December 2023.

A copy of the audit report from AMD (Confidential Attachment 'B" – Under Separate Cover) was presented to the Audit and Risk Committee on the 13th of March 2024. The audit report contained four (4) minor findings and one (1) moderate finding for consideration, together with management's response on how these findings will be actioned.

The committee through Council endorsement, requested an update of the actions from the findings to be presented to each future committee meeting until resolved [OCM 94-24].

In addition, the endorsed 2025 Annual Audit Work Plan for the committee, provides the following schedule for the Regulation 17 Triennial Review:

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**
7. Regulation 17 Triennial Review (report 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 **2023-2024** Regulation 17 review (until all action items are completed).	● *Completed*		● *This meeting*	●	●

This report has been compiled in direct response to Council resolution [OCM 94-24], together with the above schedule, to provide members of the committee with an update on the progression of the actions required from the findings of the AMD audit report.

To note, at the 18th of December 2024 Ordinary Council Meeting, Council through the Audit and Risk Committee resolved [OCM 321-24] that finding 2.2.1 and 2.2.2 would not be completed by the target date of 31st of December 2024 and granted an extension until 30th of June 2025 for both items.

Legal Implications

Local Government Act 1995
Local Government (Audit) Regulations 1996 (as Amended):

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 not less than once in every 3 financial years.

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

Reg 16. Functions of audit committee

An audit committee has the following functions —

(c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —

(i) report to the council the results of that review; and
(ii) give a copy of the CEO's report to the council;

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

This is the fifth 'update' report to be received by the Audit and Risk Committee on the progress of the findings resulting from the Regulation 17 Review undertaken in February 2024.

Budget Implications

Staff time is the only resource requirement needed to implement the findings from the Regulation 17 Review. This remains in accordance with existing staff budgetary allocation.

Future Regulation 17 Reviews will be provided for as an expenditure allocation under Audit Fees in the annual budget relating to the financial year of review.

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

- Shire of Dardanup Risk Management Governance Framework (which incorporates AP023 Risk Management Policy and PR036 Risk Management Procedure).
- CnG CP304 – Fraud, Corruption and Misconduct.
- Delegation 1.3.9 Audit – CEO Review of Systems and Procedures.

Risk Assessment

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

Tier 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Event	Update Report – 2023/2024 Regulation 17 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 (Audit) Regulations 1996*, Regulation 17.
	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

The findings and status from the 2023/2024 Regulation 17 Review report are summarised in the table below:

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
2	***Risk Management***				
2.2.1	**Testing of Disaster Recovery Plan**	**Moderate**	**Manager Information Services**	**Original completion date 31 December 2024** **OCM 321-24 extension granted to 30 June 2025**	**In Progress** **Draft DR Plan with Director C&G for review**
2.2.2	**Bushfire Management Plan**	**Low**	**Director Sustainable Development**	**Original completion date 31 December 2024** **OCM 321-24 extension granted to 30 June 2025**	**Completed** **Plan presented to OCM 21-05-2025 [123-25]**
3	***Internal Controls***				
3.2.1	**Daily Banking Procedure**	**Low**	**Manager Governance**	**30 April 2024**	**Completed**
3.2.2	**Purchase Orders**	**Low**	**Manager Financial Services**	**30 April 2024**	**Completed**
3.2.3	**Grant – Contract Liabilities Register**	**Low**	**Manager Financial Services**	**30 April 2024**	**Completed**
4	***Legislative Compliance***				
	No findings to report in respect to the Shire's legislative compliance.				

Item 2.2.1 Testing of the Disaster Recovery Plan

The Disaster Recovery Plan is currently under review by the Director Corporate & Governance. Basic testing will occur in the first 2 weeks of June, with a more vigorous and in-depth test going forward. Management are hopeful that this item will be closed out at the September 2025 Audit and Risk Committee meeting.

Item 2.2.2 Bushfire Risk Management Plan

Council endorsed the Bushfire Risk Management Plan at the Ordinary Meeting of Council held on the 21st May 2025 [Res: 123-25]. This completes this finding.

END REPORT

10.4 Title: 2025 Financial Management Systems Review

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officer	*Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995* *Local Government (Financial Management) Regulations 1996*
Council Role	Executive/Strategic.
Voting Requirement	*Simple Majority.*
Attachments	*Appendix AAR 10.4 - Risk Assessment – 2025 Financial Management Systems Review* *Confidential Attachment "C" - Financial Management Systems Review Report - FINAL*

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.

AUDIT & RISK COMMITTEE - OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommend that Council receive the June 2025 update report on the implementation of actions required from the findings of the Financial Management Systems Review (FMSR) (Confidential Attachment "C" – Under Separate Cover).

Change to Officer Recommendation

No Change. **OR:**
As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

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 199*5 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 (Confidential Attachment "C" – 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

Year	Review Method	Conducted By	Report Received	Resolution Number
2016	External	Butler Settineri	Ordinary Council Meeting 27 January 2016	OCM 08-16
2019	External	AMD Chartered Accountants	Audit Committee	AUD 04-19
			Ordinary Council Meeting	OCM 56-19
2022	External	AMD Chartered Accountants	Audit and Risk Committee	AAR 03-22
			Ordinary Council Meeting	OCM 75-22

Budget Implications

Staff time is the only resource requirement needed to implement the findings from the FMSR. This remains in accordance with existing staff budgetary allocation.

Future FMSR will be provided for as an expenditure allocation under Audit Fees in the annual budget relating to the financial year of review.

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: 10.4) 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
3	***Custody and security of money***				
3.2.1	**End of Day Receipting Procedures** Sample testing identified three exceptions in respect to end of day receipting procedures. 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	**Low**	**Manager Governance**	1 March 2025	**Completed**

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	the Eaton Administration Office. **Implications / Risks** Increased risk of fraud or error occurring in respect of daily banking. **Recommendation** We recommend that all daily banking reconciliations are reviewed by an officer separate from the individual completing the daily banking function, and the reconciliation is signed by the reviewer to evidence the independent review has occurred. **Management Comment** 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. 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. **Action:** Customer Service Officers will be reminded of their duty in the cash handling process to ensure daily banking sheets are independently verified.				
3.2.2	**Physical Security** Safe code at the Eaton Recreation Centre is not changed on a periodic basis. 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. **Implications / Risks** Lack of appropriate internal controls over security of Council assets. **Recommendation** 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. **Management Comment** 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. 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. **Action:** Safe code to be changed on a quarterly basis, with the process documented in a formalised Shire procedure.	**Low**	**Manager Recreation Services**	31 May 2025	**In Progress**
4	***Maintenance and security of financial records***				

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
4.2.1	**Tender Management** 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. **Implications / Risks** Lack of formalised documentation evidencing tender performance assessment. **Recommendation** We recommend formal performance evaluation assessments be undertaken following the completion of tendered projects and services exceeding a predetermined expenditure threshold, or considered to be critical in nature. 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. **Management Comment** The Shire has a Procurement Framework in place that incorporates 'contract management', and in particular: - Contract Establishment - Contract Management: administration, performance management and KPI's - Contract Extension or Close Project Officers are provided with a series of templates available through the Framework to assist with performance management throughout the project. **Action:** Review the 'contract management' section within the Shire of Dardanup Procurement Framework and identify areas for improvement to ensure the requirement for performance evaluation procedures are documented in line with this finding. Following on from the Procurement Framework review, it may be necessary to implement a standalone 'Contract Management Framework', which would complement the upcoming *Local Government Regulations Amendment Regulation 2024*, and the requirements for Council's Contract Register to be publicly accessible.	**Moderate**	**Director Corporate & Governance**	31 December 2025	**In Progress**
6	***Authorisation for incurring liabilities and making payments***				
6.2.1	**Fuel Usage – Depot** No record maintained for jerry can fuel usage. 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. **Implications / Risks** Increased risk of misappropriation or misuse of fuel going undetected. **Recommendation** We recommend a fuel register be developed and maintained in respect to fuel usage from jerry cans. **Management Comment** 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. **Action:** implement a Fuel Register for the 'Sundry Plant' fuel card.	**Low**	**Manager Operations**	31 May 2025	**In Progress**

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
7	***Maintenance of payroll, stock control and costing records***				
7.2.1	**Plans and Policies** 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. We note the recent purchase of 5 motor vehicles by the Shire 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. **Implication / Risk** There is an increased risk of inefficient procurement procedures. **Recommendation** 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. **Management Comment** 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. 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. **Action:** Finalise the current review of AP009 Light Vehicle Policy and moving forward seek support to amalgamate CP203 and AP009 into one guiding Council Policy.	**Low**	**Director Corporate & Governance**	31 December 2025	**In Progress**
7.2.2	**Excessive Leave Balances** We noted three employees with excessive leave balances. 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. **Implication / Risk** 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. **Recommendation** We recommend leave balances be managed to reduce the number of employees with excess leave due. **Management Comment** This FMSR review is up until the 31st of December 2024, however the Annual Leave Accrual Report provided was for actuals as at 30th of June 2024. 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. Employee No. 884 reduced annual leave by taking: - 91.20 hours in July 2024; and - 83.60 hours in January 2025. Employee No. 584 reduced annual leave by taking: - 68.40 hours in December 2024/January 2025.	**Low**	**Manager HR**	31 March 2025	**Completed**

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	Remaining leave accruals are planned to be reduced in the coming year for both employees. 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 accrual. 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 that 20 days of accrued leave. **Action:** 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.				

Conclusion:

Management will continue to work towards completing their respective action items by the due dates, with update reports to be provided to each Audit and Risk Committee meeting until resolved.

END REPORT

10.5 Title: Audit Entrance Meeting

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Reporting Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Legislation	*Local Government Act 1995 and Local Government (Financial Management) Regulations 1996*
Council Role	Executive/Strategic
Voting Requirement	Simple Majority.
Attachments	*Confidential Document "D" – Audit Strategy Memorandum* *Appendix AAR 10.5 – Risk Assessment – Audit Entrance Meeting*

Overview

This report is to inform Council of its obligation in relation to the audit requirements under the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit & Risk Committee recommend that Council support and acknowledge the Audit Strategy Memorandum produced by the Office of the Auditor General, and OAG's sub-contractors Moore Australia (WA), for the 2024/25 annual financial report and accounts (Confidential Attachment 'D" – Under Separate Cover) which outlines the audit scope and approach, and key audit risk areas that will be a focus of audit procedures.

Change to Officer Recommendation

No Change. **OR:**
As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

Section 7.12A (2) of the Local Government Act 1995 requires a local government to meet with the auditor of the local government at least once in every year. The format for this year's audit, which is supported by the Office of the Auditor General (OAG), requires Council to hold both an Audit Entrance Meeting, prior to the commencement of the audit, and an Audit Exit Meeting, which typically occurs at the completion of the audit.

Moore Australia (WA) have been engaged by the Office of the Auditor General to perform the audit of Council's accounts and Annual Financial Report for the 2024/25 financial year. As determined by the OAG, this year's audit marks the final year of the two-year extension, to the initial three (3) year audit contract period undertaken by Moore Australia. As the contract expires on 30th June 2025, it is expected the OAG will inform the Shire of Dardanup of the new audit contract engagement in early 2026.

The Audit & Risk Committee Charter and Annual Audit Work Plan does not require the Audit Entrance Meeting to be held with the entire committee, but alternatively it is held with management and the Chairperson/Deputy of the Committee due to its operational focus.

The Audit Entrance Meeting was held on Wednesday 26th March 2025 via the Microsoft Teams application. In attendance, either in person or via Microsoft 'Teams' were:

- Chief Executive Officer – André Schönfeldt
- Director Corporate & Governance – Natalie Hopkins
- Personal Assistant to Director Corporate & Governance – Rebecca Hobby
- Manager Financial Services – Rehan Shahid
- Accountant – Ricky Depillo
- Assistant Accountant – Katherine Kaurin
- Audit & Risk Committee Acting Chairperson - Cr Mark Hutchinson
- Audit & Risk Committee Proxy – Cr Tyrrell Gardiner
- OAG Representative – Suraj Karki, Assistant Director Financial Audit (via Teams); and
- Moore Australia (WA) Audit Partner Wen-Shien Chai and Associate Director – James Arthur (via Teams).

**Audit & Risk Committee Chairperson Cr Ellen Lilly was an apology at the Audit Entrance Meeting. Cr Tyrrell Gardiner attended as a proxy for Cr Ellen Lilly.*

The Audit Entrance Meeting provided an overview on how this year's audit will be undertaken including key audit risks and focus areas as outlined in the Audit Strategy Memorandum (Confidential Document – Under Separate Cover). Key audit risk and focus areas include, but are not limited to:

- **Revenue Recognition**
  - Review and test the application of the Shire's revenue recognition policies for application under *AASB 15 Revenue from Contracts with Customers* and *AASB 1*058 *Income of Not-for-Profit Entities*;
  - Control testing in accordance with documented audit sampling methodology;
  - Consider nature, complexity and materiality of revenue transactions; and
  - Review and assess appropriateness of disclosures in the financial report.

- **Completeness & Accuracy of Liabilities and Expenses**
  - Review and test expenditure and corresponding liabilities are brought to account.

- **Valuation of Property, Plant and Equipment (PPE), and Infrastructure**
  - Depreciation and Amortisation;
  - Fair value assessments of non-financial assets;
  - Assess Accounting Policies with fair value assessments and ensure compliance to Australian Accounting Standards;
  - Control testing of key financial controls for PPE and Infrastructure; and
  - Substantive testing of asset additions and disposals.

- **Accounting for Employee Related Provisions**
  - In accordance with *AASB 119 Employee Benefits*;
  - Perform substantive testing of details using sampling methodology, and year-end analytical review.

- **Disclosures in the Financial Report**
  - Auditor remuneration;
  - Contingent assets and liabilities;
  - Post balance date events;
  - Related Party Transactions (including Key Management Personnel Compensation);
  - Capital Commitments; and
  - Information required by legislation.

- **Management Override of Controls and Fraud**
  - Review journal entries, accounting estimates and application of accounting policies; and
  - Prevention and detection of fraud tests with those charged with governance and management.

- **Internal Controls (including IT General Controls)**
  - Evaluate the Shire's internal controls including System Security and Technology Framework;
  - Review service management, operations and change control; and
  - Review security governance and reporting, and security training.

Effective Audit Entrance and Exit Meetings are essential for good outcomes. The Audit & Risk Committee will meet with Council's auditors on an annual basis for the presentation of the Annual Financial Report.

In line with Moore Australia and the OAG audit strategy, this will be held as an audit exit meeting and is scheduled to occur mid November on completion of the financial statements and audit report. This meeting will provide the auditor the opportunity to highlight the key audit issues in a structured manner and provide the Council's Chief Executive Officer adequate opportunity to comment.

The following timetable is a broad outline of the key deliverables and timing aspects of the audit:

Audit Engagement Activity	Timing
Audit Planning	March 2025
Audit Entrance Meeting	26th March 2025
Interim Audit Visit	1 – 4 April 2025
Interim Management Report (if any matters to be reported)	Mid May 2025
Receipt of Complete and Balanced Draft Financial Report	30th September 2025
Final Audit Visit	7 – 10 October 2025
Issuance of Audit Concluding Report	Mid November 2025
Audit Exit Meeting	Mid November 2025
Signed Financial Report to be provided to Auditor	Mid November 2025
Auditor's Report and Management Report issued to the Shire	Mid November 2025

Following the Audit Exit Meeting with the Audit and Risk Committee, the Chief Executive Officer signs the declaration on the financial report and thereafter, the OAG issues the auditor's report.

The Audit Entrance Meeting should facilitate informed, respectful and robust exchanges between the auditors, management and the Audit and Risk Committee. The OAG states in their Audit Results Report that:

> *'it is best practice for the auditors to highlight and explain the key elements of their entrance or closing report to the audit committee and Management'.*

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 —

(a) a report from the mayor or president; and

(b) a report from the CEO; and

[(c), (d) deleted]

(e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and

(f) the financial report for the financial year; and

(g) such information as may be prescribed in relation to the payments made to employees; and

(h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and

(ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and

(hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —

(i) the number of complaints recorded in the register of complaints; and

(ii) how the recorded complaints were dealt with; and

(iii) any other details that the regulations may require;

and

(i) such other information as may be prescribed.

7.12A. Duties of local government with respect to audits

(1) A local government is to do everything in its power to —

(a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and

(b) ensure that audits are conducted successfully and expeditiously.

(2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

(3) A local government must —

(aa) examine an audit report received by the local government; and

(a) determine if any matters raised by the audit report, require action to be taken by the local government; and

(b) ensure that appropriate action is taken in respect of those matters.

(4) A local government must —

(a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and

(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

(5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

7.12AD. Reporting on a financial audit

(1) The auditor must prepare and sign a report on a financial audit.

(2) The auditor must give the report to —

(a) the mayor, president or chairperson of the local government; and

(b) the CEO of the local government; and

(c) the Minister.

Australian Auditing Standard ASA 260 – Communication With Those Charged With Governance

ASA 260 requires the auditor to discuss certain key aspects of the audit planning and the audit results with those charged with governance.

As a committee of Council, the Audit and Risk Committee is Council's preferred forum to enable effective audit communication.

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

An Audit Entrance Meeting has been held in previous years and is a normal process that is followed in line with the audit strategy.

Budget Implications - None.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Council have adopted the Audit & Risk Committee Charter (Terms of Reference) on 18 October 2023 which outlines the audit process and the Committee's function. The Audit & Risk Committee and Council also adopted the 2025 Annual Work Plan in December 2024, which is reviewed and updated each year.

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	Audit Entrance Meeting	
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	Risk that Council is non-compliant to LGA 1995 Reg. 7.12A, and in providing information as requested by the Office of the Auditor General, as detailed in the Responsibilities of the Audit.

Officer Comment

The Audit Entrance Meeting is an important phase of the audit planning process and allows Council's Management and the Audit & Risk Committee Chair and Deputy Chairperson to meet with Council's auditors, Moore Australia, and the OAG to discuss the Audit Plan. The entrance meeting also provides an opportunity for staff and Committee members present to ask questions of the auditors and the OAG.

The Audit Plan details the audit scope and approach in summary format and aims to promote effective communication between the auditor and those charged with governance at a local government.

END REPORT

10.6 Title: Annual Financial Report – Interim Audit Results for the Year Ending 30th June 2025

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officer	*Mr Rehan Shahid - Manager Financial Services*
Legislation	*Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix AAR 10.6A: Interim Audit Results Letter (i.e. Interim Management Letter)* *Appendix AAR 10.6B: Risk Assessment*

Overview

The purpose of this report is to present to the Audit and Risk Committee the Interim Audit Results for the year ending 30th of June 2025.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit & Risk Committee recommend that Council receive the Office of the Auditor General – Interim Audit Results for the Year Ending 30th June 2025. (Appendix AAR 11.6A).

Change to Officer Recommendation

No Change. **OR:**
As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

Background

An annual audit of the Shire of Dardanup's financial systems, process and reports, is undertaken in accordance with the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*.

Since the proclamation of the *Local Government Amendment (Auditing) Act 2017*, legislative changes were made to the *Local Government Act 1995*. These changes mandated responsibility for overseeing local government audits to the Office of the Auditor General (OAG).

Local government audits are performed in two parts:

1. *Interim Audit*

The purpose of this audit is to evaluate the Council's overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal controls, and to obtain an understanding of the key business processes, risks and internal controls relevant to the OAG audit of the annual financial report. Outcomes of this audit are provided in a management letter to the Chief Executive Officer and Shire President outlining any findings with recommendations; and

2. Final Year-End Audit

The outcomes of this audit are provided in a management letter addressed to the Chief Executive Officer and Shire President, and the annual audit report. The annual audit report, together with the annual financial statements form part of the annual report.

The interim audit for the year ending 30th June 2025 was performed onsite at the Shire's Eaton Administration Centre by OAG sub-contacted auditors, Moore Australia, from 1st April to 4th April 2025 inclusive. The Interim Audit focused on audit samples from 1st July 2024 to 31st January 2025, with the OAG issuing the Interim Audit Results Report (i.e. Interim Management Letter) on 7th May 2025 (Appendix AAR 10.6A).

Interim audit information requirements included, but not limited to, the following audit requirements:

- Accounts by Nature;
- Rates Billing;
- Payroll & Employee Provisions;
- General Ledger Reconciliation / Trial Balance;
- Bank Reconciliations, Credit Card Statement Reconciliations;
- Inventory, Fixed Asset Reconciliations;
- Borrowings;
- Lease Liabilities;
- Contract Liabilities;
- Trade Creditors including Masterfile Changes;
- Accounts Receivables;
- Procurement Policy Compliance;
- Monthly Financial Reporting;
- IT, Covid-19, Fraud and Error Assessment Questionnaires; and
- Various Council Policies, Administration Policies and Procedures.

As per the OAG Interim Audit Results Letter (Appendix AAR 10.6A), the result of the interim audit was declared satisfactory with **no findings issued**, that is **'No Management Control Issues'** for the Interim Audit 30th June 2025; an excellent result.

Legal Implications

Local Government Act 1995, s7.9

7.9. Audit to be conducted

(1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

(a) the mayor or president; and
(b) the CEO of the local government; and
(c) the Minister.

Local Government (Audit) Regulations 1996, r9

9. Performance of audit

(3) An auditor must carry out the work necessary to form an opinion whether the annual financial report —

(a) is based on proper accounts and records; and

(b) fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —

(i) the Act; and

(ii) the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).

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 Interim Audit Results form part of the formal requirement of audits conducted by OAG.

Budget Implications

The 2024/2025 budget includes an allocation for the conduct of the full annual audit, including the interim audit.

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 10.6B) for full assessment document.

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Event	Annual Financial Report – Interim Audit Results for the Year Ending 30th June 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 Residual Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Not presenting the Interim Audit Results for the year ending 30th June 2024 to the Audit and Risk Committee (and subsequently Council).
	Reputational	Council's reputation could be seen in a negative light for not being open and transparent with disclosing findings from the Auditor General.

Officer Comment

The Interim Audit Results report highlights the strong focus the OAG places on a local government's Monthly Financial Reporting processes, the Internal Controls that are integral to these processes, and the application of new and existing Accounting Standards.

Council received the Interim Audits Result Letter on 7th May 2025 that confirmed that the Interim Audit was **satisfactory and there were no findings issued**. Whilst it is not uncommon for auditors to issue findings to local governments in both interim and final audits, **this year marks the fourth successive year that Council has received 'no findings' or 'management control issues' for an Interim Audit**.

The successful result for the Interim Audit can be attributed to Council's good governance, due diligence, high-level focus on internal controls and compliance to Council policies and procedures.

END REPORT

11. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

12. NEW BUSINESS OF AN URGENT NATURE

[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.]

13. MATTERS BEHIND CLOSED DOORS

None.

14. CLOSURE OF MEETING

The date of the next Audit & Risk Committee Meeting will be Wednesday, 10th of September 2025.

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