



Shire of Dardanup

UNCONFIRMED

MINUTES

AUDIT & RISK COMMITTEE MEETING

Held

11th March 2026

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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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

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	<p>Project risk has two main components:</p> <ul style="list-style-type: none"> • 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.

SHIRE OF DARDANUP**MINUTES FOR THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE HELD ON WEDNESDAY, 11TH MARCH 2026, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 3.30PM.****1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

The Chairperson, Cr S Gillespie declared the meeting open at 3.30pm, 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.

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED**2.1 Attendance**

Cr. Stacey Gillespie	-	Chairperson
Cr. Tyrrell Gardiner	-	Deputy Chairperson
Cr. Brad Farrant	-	Elected Member
Cr. Mark Hutchinson	-	Elected Member
Cr. Krystal Laurentsch	-	Elected Member
Mr André Schönfeldt	-	Chief Executive Officer
Mr Ashwin Nair	-	Director Development Services
Mr Craig Johnson	-	Director Community and Economic Development
Mr Theo Naudé	-	Director Infrastructure
Mrs Natalie Hopkins	-	Director Corporate and Governance
Mrs Donna Bailye	-	Manager Governance
Mrs Cindy Barbetti	-	Corporate and Compliance Officer
Mrs Jolene Roots	-	Executive Support Officer

2.2 Apologies

None.

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 Meeting – 10th December 2025

AUDIT & RISK COMMITTEE RESOLUTION

AAR 01-26 MOVED - Cr B S Farrant SECONDED – Cr M R Hutchinson

THAT the Minutes of the Audit & Risk Committee Meeting held on 10th of December 2025, be confirmed as true and correct subject to no corrections.

CARRIED
5/0

<i>For the Motion</i>	<i>Against the Motion</i>
Cr. S L Gillespie Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. K A Laurensch	

7. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

7.1 Procurement Policy Compliance Matter

7.2 Operational Finance Matter

It is recommended that the Audit & Risk Committee go Behind Closed Doors toward the end of the meeting in accordance with Shire of Dardanup Standing Orders & Local Government Act 1995 Section 5.23 (2) - Matters for Which Meeting May Be Closed.

Standing Order and the Local Government Act 1995 provides for Council to resolve to close the meeting to the public and proceed behind closed doors for matters:

- S 5.23 (1) *Subject to subsection (2), the following are to be open to members of the public-*
- (a) *all Council meetings; and*
 - (b) *all meetings of any committee to which a local government power or duty has been delegated.*
- (2) *If a meeting is being held by a Council or by a committee referred to in subsection (1) (b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -*
- (a) *a matter affecting an employee or employees;*
 - (b) *the personal affairs of any person;*
 - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;*
 - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;*
 - (e) *a matter that if disclosed, would reveal -*
 - (i) *a trade secret;*
 - (ii) *information that has a commercial value to a person; or*
 - (iii) *information about the business, professional, commercial or financial affairs of a person,*
where the trade secret or information is held by, or is about, a person other than the local government;
 - (f) *a matter that if disclosed, could be reasonably expected to -*
 - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;*
 - (ii) *endanger the security of the local government's property; or*
 - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety;*
 - (g) *information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and*
 - (h) *such other matters as may be prescribed.*
- (3) *A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

Note: *The meeting would go behind closed doors toward the end of the meeting to discuss S.5.23 section (2)(a) a matter affecting an employee or employees.*

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.

None.

10. REPORTS OF OFFICERS AND COMMITTEES

10.1 Western Australian Auditor General – Schedule of Reports: March 2026

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mrs Natalie Hopkins – Director Corporate & Governance</i>
Reporting Officer	<i>Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer</i>
Legislation	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR 10.1A – Risk Assessment AAR 10.1B – Report 8 Status of Local Government Audits</i>

Overview

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

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

AAR 02-26 MOVED - Cr M R Hutchinson SECONDED – Cr B S Farrant

THAT the Audit and Risk Committee recommends that Council receives the March 2026 report on the Western Australian Auditor General – Schedule of Reports.

CARRIED
5/0

<i>For the Motion</i>	<i>Against the Motion</i>
Cr. S L Gillespie Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. K A Laurentsich	

Background

The *Local Government Amendment (Auditing) Act 2017*, proclaimed on the 28th 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

17. CEO to review certain systems and procedures

(1) The CEO must review the appropriateness and effectiveness of the local government's systems and procedures in relation to the following matters —

- (a) financial management;*
- (b) legislative compliance;*
- (c) risk management.*

(2) Under subregulation (1), the CEO may review any or all of the matters referred to in subregulation (1)(a) to (c) at any time but must review each of those matters not less than once in every 4 financial years.

(3) The CEO must report to the audit, risk and improvement committee the results of each review carried out under subregulation (1).

[Regulation 17 inserted: SL 2025/211 r. 14.]

As at 01 Jan 2026

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 December 2025 meeting addressing OAG reports issued between September and December 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:10.1A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Report Title	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 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 has been one (1) report released by the OAG that is of interest to the local government sector. The report is reflected in the table below together with officer comment:

DATE	REPORT NO	REPORT	APPENDIX
28 th January 2026	8	Financial Audit Results Status of Local Government Audits 2025	AAR:10.1B

Report 8 - Financial Audit Results – Status of Local Government Audits 2025*1) What this OAG report is about*

- **Purpose:** The OAG has issued a new, early status report that lists local governments that missed the statutory 31st December 2025 deadline for finalising their 2024–25 audits and explains the reasons for delay. It aims to give Parliament, Councillors and the community timely visibility of risks and deficiencies where audits are outstanding.

- **Scope & timing:** Covers the audit status of 147 local government entities. As at 31 December 2025, 138 were completed on time and 9 were outstanding (an improvement on prior years). A full audit results report for the 138 completed audits is expected by end-March 2026.
- **Why publish now:** Delayed audits are described as poor accountability and a potential red flag for wider governance concerns. The report is intended to drive improvement and encourage timely, high-quality reporting and audit readiness.

2) Key messages for Local Government

- **Timeliness matters:** Local governments must have their annual report (including the auditor's report) accepted by 31st December each year and then hold the AGM of Electors within 56 days. The OAG schedules audits to enable this; delays often stem from entity readiness rather than OAG capacity.
- **Top causes of delay:**
 - Data integrity and recordkeeping problems impacting support for the trial balance and disclosures.
 - Key staff turnover/availability during year-end and audit.
 - Flow-on effects when prior years are not yet finalised.
 - Late or poor-quality financial statements (including incomplete drafts before 30 September).
These lead to extra audit effort, higher audit fees, and potential qualified or disclaimed opinions once finalised.
- **Public accountability risk:** The absence of timely audited financials reduces transparency for ratepayers, Councillors and Parliament and may signal broader governance issues requiring intervention.

3) Relevance to the Shire of Dardanup

While the report publicly identifies the nine entities with outstanding 2025 audits, its broader insights are highly relevant to all LGs, including the Shire of Dardanup, in three ways:

- 1. Assurance expectations & deadlines**
 - Reinforces the importance of delivering a complete and accurate financial report by 30 September to auditors, to support an on-time 31st December outcome and subsequent statutory milestones (public notice and AGM).
- 2. Audit readiness standards**
 - Highlights the need for robust financial close, working papers, evidence trails, and data integrity controls. OAG notes that poor quality or incomplete drafts create rework and delay, driving additional audit costs to entities.
- 3. Governance signals**
 - The OAG characterises late audits as indicators of governance and capability issues (e.g., resourcing, systems, culture). Even if not directly affected, entities are encouraged to self-assess their risk of slippage and strengthen prevention controls.

Note: The report does not list the Shire of Dardanup among the nine delayed entities. (Only the delayed entities are named; 138 on-time audits are referenced in aggregate.)

4) Link to upcoming ARC → ARIC transition (context for 2026 – not part of the OAG report itself)

The OAG's emphasis on timely, high-quality reporting dovetails with the sector's shift to Audit, Risk and Improvement Committees (ARICs) from 1st January 2026, where independence and continuous improvement are central. Ensuring our audit timeliness, data integrity, and follow-up of findings are strong will position the Shire well under the ARIC framework.

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

10.2 Changes to 2025 Compliance Audit Return (CAR)

Reporting Department	Corporate & Governance Directorate
Responsible Officer	Mrs Natalie Hopkins – Director Corporate & Governance
Reporting Officer	Mrs Donna Bailye - Manager Governance
Legislation	Local Government Act 1995
Council Role	Legislative.
Voting Requirement	Simple Majority.
Attachments	AAR 10.2A - Risk Assessment Tool AAR 10.2B - Department Update 06-01-2026

Overview

To inform the Audit and Risk Committee of the significant reforms to the Western Australian Compliance Audit Return (CAR) process introduced following the establishment of the Local Government Inspectorate and amendments to the *Local Government (Audit) Regulations 1996*, effective 1st January 2026.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDATION

AAR 03-26 MOVED - Cr T G Gardiner SECONDED – Cr B S Farrant

THAT the Audit and Risk Committee recommend that Council:

1. **Notes the legislative and procedural changes to the Compliance Audit Return (CAR), the new Inspectorate oversight model, and the revised submission timeline; and**
2. **Notes that the 2026 Annual Work Plan for the Audit and Risk Committee will be amended to reflect that the 2025 CAR will not be presented to the Committee in March 2026, due to the deferred submission timeframe; and**
3. **Requests the CEO to provide a further update to the Audit and Risk Committee once the Inspector releases the CAR guidance materials.**

CARRIED
5/0

<i>For the Motion</i>	<i>Against the Motion</i>
Cr. S L Gillespie Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. K A Laurentsich	

:

Background

All Western Australian local governments, including the Shire of Dardanup, are required to complete an annual Compliance Audit covering the period 1st January to 31st December each year. This requirement is established under regulation 14 of the *Local Government (Audit) Regulations 1996*, which mandates that every local government must review and report on its compliance with a range of statutory provisions.

The Compliance Audit Return (CAR) is a key mechanism to promote accountability, transparency, and good governance. It assesses whether the local government has complied with prescribed requirements under the *Local Government Act 1995* and associated regulations, including governance practices, delegations, financial management, disclosure processes, and other legislative obligations.

Recent Changes Affecting the 2025 CAR

For the 2025 reporting period, significant changes have been introduced due to the establishment of the Local Government Inspectorate (operational from 1st January 2026). As a result:

- The statutory requirements for which a compliance audit is needed have been updated under regulation 13, and final guidance for 2025 CAR content will be issued by 31st March 2026.
- The Local Government Inspector now has authority under regulation 15A to limit or specify which statutory requirements must be included in the CAR.
- The deadline for submitting the 2025 CAR has been deferred to 30th September 2026 (instead of the usual 31st March deadline), to account for the transition and introduction of new requirements.

Updated CAR Review and Certification Requirements

Although the CAR is completed by the Shire's Administration (Governance), the legislation requires a structured review and oversight process:

1. Administration (Governance) completes the CAR, ensuring accurate, evidence-based responses across all compliance areas.
2. The CAR must be reviewed by the Audit and Risk Committee (or the ARIC once the reforms transition). The Committee's role is to check accuracy, completeness, and any emerging risks highlighted by the responses.
3. Following Committee review, the CAR is presented to Council for adoption by formal resolution.
4. The final adopted CAR is then submitted to the Local Government Inspector.

This structured process reinforces the CAR's role as not merely a reporting requirement, but a key governance tool that helps identify systemic risks, emerging compliance gaps, and areas requiring policy or procedural strengthening.

Legal Implications

Completion of the CAR is required under Section 7.13(i) of the *Local Government Act 1995* and *Local Government (Audit) Regulations (Regulation 13)*.

The Inspector may limit prescribed statutory requirements to be covered by compliance audit under Regulation 15A of the *Local Government (Audit) Regulations*.

Council Plan

- 13.1 - Adopt best practice governance.
- 13.2 - Manage the Shire’s resources responsibly.

Environment - None.

Precedents

Council is required to complete a Compliance Audit Return (CAR) on an annual basis in accordance with the *Local Government (Audit) Regulations 1996*. Under Regulation 14, every local government in Western Australia must conduct a compliance audit covering the period 1st January to 31st December each year, assessing its adherence to the statutory requirements prescribed in Regulation 13.

This long-standing annual obligation helps ensure that Council maintains sound governance practices and remains aligned with the evolving statutory requirements administered by the Local Government Inspectorate.

Budget Implications

Officer time is required to complete the Compliance Audit Return, including reviewing responses and collating the necessary supporting evidence. These staff costs will be met through the Corporate & Governance Directorate’s Salaries and Wages 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 10.2A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Report Title	Changes to the 2025 Compliance Audit Return (CAR)
Inherent Risk Rating (prior to treatment or control)	Moderate (5 – 11)
Risk Action Plan (treatment or controls proposed)	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	Financial Impact If non-compliance is identified after prolonged periods (due to the delayed CAR submission date—now 30 September 2026), Council may face increased internal costs to rectify issues, especially if process weaknesses have compounded over time.
	Financial Impact Should the Inspector determine that external intervention is required, the appointment of monitors to assist the local government could lead to additional, unplanned expenditure borne by the local government.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
	Legal and Compliance	Recent reforms introduced through the Local Government Inspectorate have altered which statutory requirements must be included in the CAR. Regulation 13 requirements have been updated, and the Inspector now has the power to limit or adjust the compliance areas assessed under Regulation 15A. This creates a risk that Council may not fully understand the scope of its compliance obligations until updated guidance is issued.
	Legal and Compliance	Increased exposure if non-compliance pending longer. The CAR is designed to identify non-compliance annually. A delayed cycle means issues remain undetected for an extended period.
	Reputational	Increased scrutiny from the Local Government Inspectorate may impact Council’s reputation if non-compliance is discovered.

Officer Comment

The Compliance Audit Return (CAR) is ordinarily required to be completed, reviewed by the Audit and Risk Committee, adopted by Council, and submitted by 31st March each year, in accordance with the *Local Government (Audit) Regulations 1996*.

However, with the establishment of the Local Government Inspectorate on 1st January 2026, the Department has advised that the submission deadline for the 2025 CAR has been deferred to 30th September 2026 (Appendix AAR 10.2B). This deferral supports the sector during the transition to the new compliance model, as the Inspector now has responsibility for issuing the CAR, determining which statutory requirements must be included each year under regulations 13 and 15A, and is currently in the process of updating the CAR content. Further guidance on the revised CAR requirements is expected by 31 March 2026, and once received, the Audit and Risk Committee will be advised.

The Committee should also note that, in accordance with the 2026 Annual Work Plan, the Committee would ordinarily have considered the 2025 CAR at its March 2026 meeting. Due to the deferred submission timeframe and pending release of updated requirements, this consideration will now occur later in the year.

END REPORT

10.3 Biannual Compliance Task 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	AAR 10.3 – Risk Assessment <i>Confidential Attachment 'A' – Biannual Compliance Calendar</i>

Overview

This report presents the biannual compliance activities undertaken during the second half of 2025 and provides the Audit and Risk Committee with assurance of the Shire’s continued adherence to statutory and governance obligations.

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

AAR 04-26 MOVED – Cr K A Lauretsch SECONDED – Cr M R Hutchinson

THAT the Audit and Risk Committee recommend that Council receives the Biannual Compliance Task Report, as provided in the Confidential Attachment ‘A’ under Separate Cover, and notes the compliance tasks identified for the period 1st July 2025 to 31st December 2025.

CARRIED
5/0

<i>For the Motion</i>	<i>Against the Motion</i>
Cr. S L Gillespie Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. K A Lauretsch	

Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to review the appropriateness and effectiveness of the Shire's systems and procedures, including those relating to legislative compliance.

To support this requirement, the Shire has developed a Compliance Manual incorporating the Annual Compliance Calendar. The calendar serves as a central tool that identifies and schedules the compliance tasks to be completed throughout the year, ensuring that legislative obligations are systematically monitored and addressed.

In accordance with clause 5.10(ii) of the Audit and Risk Committee Charter (Terms of Reference), the Committee is to receive a biannual compliance report. This report provides the Committee with an update on the progress of the compliance tasks outlined within the Annual Compliance Calendar.

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

- 17. CEO to review certain systems and procedures**
- (1) *The CEO must review the appropriateness and effectiveness of the local government's systems and procedures in relation to the following matters —*
- (a) *financial management;*
 - (b) *legislative compliance;*
 - (c) *risk management.*
- (2) *Under subregulation (1), the CEO may review any or all of the matters referred to in subregulation (1)(a) to (c) at any time but must review each of those matters not less than once in every 4 financial years.*
- (3) *The CEO must report to the audit, risk and improvement committee the results of each review carried out under subregulation (1).*

[Regulation 17 inserted: SL 2025/211 r. 14.]

As at 01 Jan 2026

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 the previous biannual compliance report (incorporating the period from 1st January 2025 to 30th June 2025) at the September 2025 meeting.

Budget Implications

Robust legislative compliance processes support risk reduction and ensure the Shire meets its statutory obligations. Compliance activities are delivered within the Corporate Excellence & Compliance Officer's existing responsibilities, with associated costs limited to officer time and the utilisation of required IT and software systems.

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

There is no current Council Policy relevant to this item.

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.	
Report Title	Biannual Compliance Task 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 Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.</p> <p>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.</p>

Officer Comment

This report presents the compliance activities undertaken during the period 1st July 2025 to 31st December 2025. Further detail is provided in the Confidential Attachment Under Separate Cover, including the specific compliance tasks identified. Responsible officers have assigned an audit score to each task and included explanatory comments to evidence progress toward meeting legislative requirements.

The subsequent biannual compliance task report is scheduled for presentation at the Committee's September 2026 meeting.

END OF REPORT

10.4 Financial Management System Review – Update Report

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	AAR 10.4 - Risk Assessment <i>Confidential Attachment 'B'- AMD Report</i>

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 remaining finding.

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

AAR 05-26 MOVED - Cr S L Gillespie SECONDED – Cr M R Hutchinson

THAT the Audit and Risk Committee recommend that Council:

1. **Receives the March 2026 update report on the implementation of actions required from the findings of the 2025 Financial Management Systems Review (FMSR); and**
2. **Extends the due date for the completion of finding 7.2.1 Plans and Policies to 30th June 2026.**

CARRIED
5/0

<i>For the Motion</i>	<i>Against the Motion</i>
Cr. S L Gillespie Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. K A Laurensch	

Background

2025 Financial Management System Review:

The purpose of the Financial Management Systems Review (FMSR) is to assist the CEO in fulfilling responsibilities under Section 6.10 of the *Local Government Act 1995* and Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*, which outline the CEO's duties in relation to establishing and maintaining effective financial management systems and procedures.

The most recent FMSR was undertaken by AMD Chartered Accountants in February 2025, with the report presented to the Audit and Risk Committee at its March 2025 meeting (refer Confidential Attachment 'B' provided separately). The audit report contained six findings, and Council resolved that the Audit and Risk Committee receive progress reports on the actions arising from these findings at every Committee meeting until all items are fully resolved [Res: OCM 61-25].

2025 Reforms:

Historically, the FMSR was required under Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, which obligated local governments to regularly review the appropriateness and effectiveness of their financial management systems and procedures at least once every three financial years. However, as part of the State Government's recent local government reform program, Regulation 5(2)(c) has now been deleted, with the regulation marked as "[deleted]" in the current consolidated version.

These same reforms expanded Regulation 17 of the *Local Government (Audit) Regulations 1996* to expressly include **financial management** as one of the systems the CEO must review at least once every four financial years, alongside legislative compliance and risk management. As a result, future financial management system reviews will no longer be conducted under the *Local Government (Financial Management) Regulations 1996* but will instead be incorporated into the Regulation 17 review framework contained within the *Local Government (Audit) Regulations 1996*.

Reporting on actions from the 2025 Financial Management Systems Review:

Although r.5(2)(c) has now been removed, the Shire remains obligated to continue reporting on the progression and closure of the 2025 FMSR findings, as this commitment arises not from the repealed regulation but from a formal Council resolution.

This report has been compiled in direct response to that resolution.

Legal Implications

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

- Pre 2025 Reforms:

5 (2) *The CEO is to —*

- (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
- (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year).*
- (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.***

- Post 2025 Reforms:

5 (2) The CEO is to —

(a) ensure that the resources of the local government are effectively and efficiently managed; and

(b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year).

[(c) deleted]

[Regulation 5 amended: Gazette 31 Mar 2005 p. 1047 and 1053; 26 Jun 2018 p. 2388; **SL 2025/211** r. 17.]

As at 01 Jan 2026

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
2025	External	AMD Chartered Accountants	Audit and Risk Committee	AAR 05-25
			Ordinary Council Meeting	OCM 61-25

Budget Implications

Implementation of the findings arising from the 2025 Financial Management Systems Review (FMSR) continue to be managed within existing staff workloads, and no additional budget allocation is required beyond current staffing resources.

With the removal of Regulation 5(2)(c) and the incorporation of financial management system reviews into the broader Regulation 17 review framework, future financial management review costs will be accommodated as part of the Shire's Audit Fees budget allocation in the financial year in which the consolidated Regulation 17 review is undertaken. This ensures that all future reviews relating to financial management, legislative compliance, and risk management are funded in a coordinated and streamlined manner under the integrated Regulation 17 process.

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.	
Report Title	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	<p>Legal and Compliance Failure to fulfil obligations pursuant to the Local Government (Financial Management) Regulations 1996, Regulation 5.</p> <p>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.</p>

Officer Comment

Following completion of the review in February 2025, AMD Chartered Accountants provided a written report to the CEO in accordance with the requirements of Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*. The scope of this engagement was limited to the assessment of the Shire’s financial management systems and procedures as part of the Financial Management Systems Review. The review did not extend to, nor did it involve, an audit or examination of the Shire’s annual financial statements.

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	<p>End of Day Receiving Procedures Sample testing identified three exceptions in respect to end of day receiving 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>Implications / Risks Increased risk of fraud or error occurring in respect of daily banking.</p> <p>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.</p> <p>Management Comment The Shire has strong segregation of duties, that span across the Finance and Governance departments in relation to cash</p>	Low	Manager Governance	1 March 2025	Completed

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	<p>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>Action: 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>Physical Security 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>Implications / Risks Lack of appropriate internal controls over security of Council assets.</p> <p>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.</p> <p>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.</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>Action: 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	Maintenance and security of financial records				
4.2.1	<p>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.</p> <p>Implications / Risks Lack of formalised documentation evidencing tender performance assessment.</p> <p>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.</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</p>	Moderate	Director Corporate & Governance	31 December 2025	Completed

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	<p>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>Management Comment The Shire has a Procurement Framework in place that incorporates ‘contract management’, and in particular:</p> <ul style="list-style-type: none"> - Contract Establishment - Contract Management: administration, performance management and KPI’s - Contract Extension or Close <p>Project Officers are provided with a series of templates available through the Framework to assist with performance management throughout the project.</p> <p>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.</p> <p>Following on from the Procurement Framework review, it may be necessary to implement a standalone ‘Contract Management Framework’, which would complement the upcoming <i>Local Government Regulations Amendment Regulation 2024</i>, and the requirements for Council’s Contract Register to be publicly accessible.</p>				
6 Authorisation for incurring liabilities and making payments					
6.2.1	<p>Fuel Usage – Depot 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>Implications / Risks Increased risk of misappropriation or misuse of fuel going undetected.</p> <p>Recommendation We recommend a fuel register be developed and maintained in respect to fuel usage from jerry cans.</p> <p>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.</p> <p>Original Action: implement a Fuel Register for the ‘Sundry Plant’ fuel card.</p> <p>Amended Action: 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>	Low	Manager Operations	31 May 2025	Completed
7 Maintenance of payroll, stock control and costing records					
7.2.1	<p>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.</p> <p>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</p>	Low	Director Corporate & Governance	Original due date: 31 December 2025 Extended to: 31 March 2026 Res: AAR 39-25 Propose	In Progress

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	<p>highlight the percentage of staff with greater than 20 days of accrued leave.</p> <p>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.</p>				

Item 7.2.1 Plans and Policies

This remains the final outstanding action item requiring completion.

To support the consolidation of Administration Policy AP009 – Light Vehicle Fleet Policy and Council Policy CP203 – Light Vehicle Fleet Policy, an independent fleet review has now been completed. The close-out meeting for this review occurred on 3rd March 2026, and the findings require consideration and direction at the Executive level before the policies can be finalised.

Given these timing constraints and the need for Executive oversight of the proposed changes, support is sought for a further extension of the due date to 30th June 2026. This will allow adequate time for Executive review, incorporation of required amendments, and completion of the consolidated policy.

An update FMSR report will be presented to the Audit and Risk Committee at its next scheduled meeting in June 2026.

END REPORT

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

None.

12. NEW BUSINESS OF AN URGENT NATURE

None.

13. MATTERS BEHIND CLOSED DOORS

It is recommended that the following item be heard behind closed doors.

Shire of Dardanup Standing Orders & Local Government Act 1995 Section 5.23 - Matters for Which Meeting May Be Closed.

Standing Order and the Local Government Act 1995 provides for Council to resolve to close the meeting to the public and proceed behind closed doors for matters:

- S 5.23 (1) *Subject to subsection (2), the following are to be open to members of the public-*
- (a) *all Council meetings; and*
 - (b) *all meetings of any committee to which a local government power or duty has been delegated.*
- (2) *If a meeting is being held by a Council or by a committee referred to in subsection (1) (b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -*
- (a) *a matter affecting an employee or employees;*
 - (b) *the personal affairs of any person;*
 - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;*
 - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;*
 - (e) *a matter that if disclosed, would reveal -*
 - (i) *a trade secret;*
 - (ii) *information that has a commercial value to a person; or*
 - (iii) *information about the business, professional, commercial or financial affairs of a person,*
where the trade secret or information is held by, or is about, a person other than the local government;
 - (f) *a matter that if disclosed, could be reasonably expected to -*
 - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;*
 - (ii) *endanger the security of the local government's property; or*
 - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety;*
 - (g) *information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and*
 - (h) *such other matters as may be prescribed.*
- (3) *A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

OFFICER RECOMMENDATION

AAR 06-26 MOVED - Cr T G Gardiner SECONDED – Cr B S Farrant

THAT in accordance with the Local Government Act 1995, S 5.23, section (2)(a) the Committee goes Behind Closed Doors at 3.53pm to discuss a matter affecting an employee or employees.

13.1 Procurement Policy Compliance Matter

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
Council Role	Executive/Strategic.
Voting Requirement	Simple Majority.

REPORT UNDER SEPARATE COVER

Note: In accordance with the Local Government Act 1995 5.23 (2) this report is not available to the public. The Shire President tables the confidential report on this matter and provides copies to each elected member. The report will be located in the Records Management System of the Committee.

AUDIT & RISK COMMITTEE RESOLUTION

AAR 07-26 MOVED - Cr K A Lauretsch SECONDED – Cr B S Farrant

THAT the Audit and Risk Committee recommends that Council:

- 1. Notes the procurement non-compliance incident from November 2025; and**
- 2. Acknowledges the appropriateness of the corrective actions undertaken to strengthen procurement governance and reduce the risk of recurrence.**

CARRIED
5/0

<i>For the Motion</i>	<i>Against the Motion</i>
Cr. S L Gillespie Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. K A Lauretsch	

13.2 Operational Finance Matter

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
Council Role	Executive/Strategic.
Voting Requirement	Simple Majority.

REPORT UNDER SEPARATE COVER

Note: In accordance with the Local Government Act 1995 5.23 (2) this report is not available to the public. The Shire President tables the confidential report on this matter and provides copies to each elected member. The report will be located in the Records Management System of the Committee.

AUDIT & RISK COMMITTEE RESOLUTION

AAR 08-26 MOVED - Cr T G Gardiner SECONDED – Cr M R Hutchnson

THAT the Audit and Risk Committee recommend that Council:

- 1. Notes the banking discrepancy incident of 28th October 2025, and the internal review findings.**
- 2. Notes that the incident has been formally recorded and the associated minor loss written off in accordance with Delegation 1.2.32.**
- 3. Acknowledges that existing separation of duties remain appropriate.**

CARRIED
5/0

<i>For the Motion</i>	<i>Against the Motion</i>
Cr. S L Gillespie Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. K A Laurentsich	

AUDIT & RISK COMMITTEE RESOLUTION

AAR 09-26 MOVED - Cr T G Gardiner SECONDED – Cr B S Farrant

THAT the Committee return from Behind Closed Doors at 4.35pm.

CARRIED
5/0

<i>For the Motion</i>	<i>Against the Motion</i>
Cr. S L Gillespie Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. K A Laurentsich	

Note: In accordance with Standing Order 5.2(6) the Presiding Officer, may cause the motion passed by the Committee whilst behind closed doors to be read out.

14. CLOSURE OF MEETING

The date of the next Audit & Risk Committee Meeting will be Wednesday, 10th of June 2026 at 3.30pm.

There being no further business the Chairperson declared the meeting closed at 4:35pm.