

## APPENDICES

# AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 10<sup>th</sup> September 2025 Commencing at 2.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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Upon request.

#### **RISK ASSESSMENT TOOL**

**OVERALL RISK EVENT:** Update Report – 2023-2024 Regulation 17 Review

**RISK THEME PROFILE:** 

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE		PRIOR TO T	REATMENT OR	CONTROL	RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATEMENT OR CONTROL		
CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
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.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

### **RISK ASSESSMENT TOOL**

**OVERALL RISK EVENT:** Western Australian Auditor General – Schedule of Reports

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

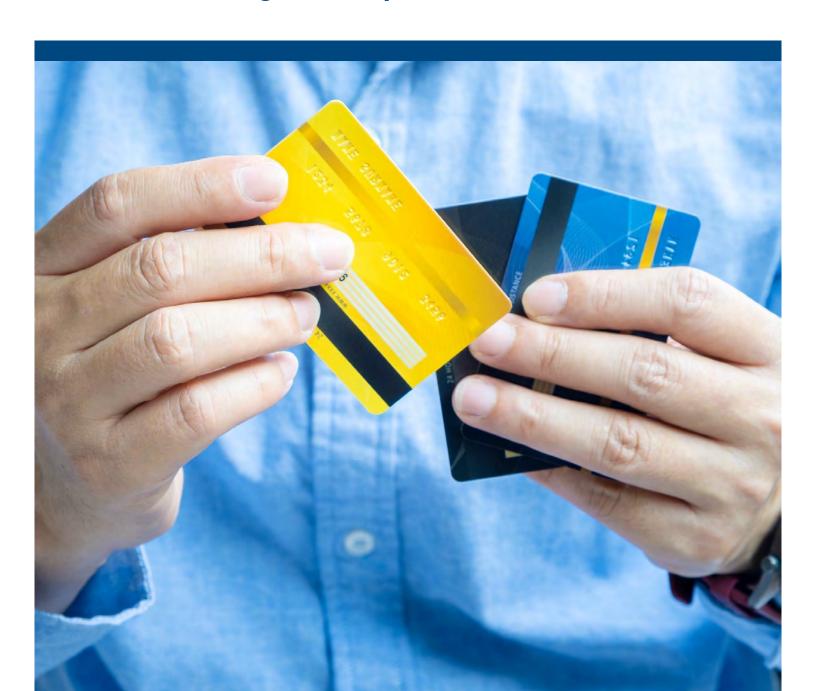
CONSEQUENCE		PRIOR TO T	REATMENT OR	CONTROL	RISK ACTION PLAN	AFTER TREATEMENT OR CONTROL		CONTROL
CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
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.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
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.	Moderate (3)	Unlikely (2)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.





Report 17: 2024-25 | 28 May 2025
PERFORMANCE AUDIT

# **Local Government Management of Purchasing Cards – Larger Metropolitan Entities**



## Office of the Auditor General for Western Australia

#### Audit team:

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We can deliver this report in an alternative format for those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

Image credit: shutterstock.com/Me dia

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

## Local Government Management of Purchasing Cards – Larger Metropolitan Entities

Report 17: 2024-25 28 May 2025

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THE PRESIDENT LEGISLATIVE COUNCIL

THE SPEAKER LEGISLATIVE ASSEMBLY

## LOCAL GOVERNMENT MANAGEMENT OF PURCHASING CARDS – LARGER METROPOLITAN ENTITIES

This report has been prepared for submission to Parliament under the provisions of sections 24 and 25 of the *Auditor General Act 2006*.

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed if six larger metropolitan local government entities effectively manage the issue, use and cancellation of purchasing cards

I wish to acknowledge the entities' staff for their cooperation with this audit.

Caroline Spencer Auditor General

28 May 2025

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#### **Auditor General's overview**

This is my Office's second report in two years on local government entities' management of purchasing cards. Purchasing cards are a costeffective and convenient way to pay for goods and services of low value, but there is a risk of misuse and loss of public money if they are not effectively managed.

This audit reviewed six larger metropolitan entities and had similar findings to our first audit of three regional entities<sup>1</sup>. Entities had varying controls in place to manage purchasing cards but did not clearly state what they considered allowable and reasonable business expenditure. In a climate where cost of living is a significant concern, we questioned if some purchases are in line with community expectations of responsible use of public money.

We found no evidence of cards being misused, in part because without clear policies and guidance, we had no benchmark to assess purchases against. However, we share in this report (Case study 1) some of the items of expenditure that appeared excessive when compared with practices in the State sector. Staff should have clear guidance on what is allowable and reasonable, particularly for travel, alcohol, meals, entertainment and gifts.

Entities can also improve their controls over the issue and cancellation of cards, review and approval of purchases and transparent reporting, to give councils and the public confidence that cards are appropriately managed and that purchases meet a business need.

I thank the staff at each audited entity for their cooperation and assistance in completing this audit. I also encourage all local government entities to consider the better practice guidance included in the report to help manage their purchasing cards and minimise the risk of inadvertent or deliberate misuse of public funds.

Our case study examples are de-identified in this report. However, if we audit this topic again, I may name entities to help promote accountability given the recommendations and better practice guidance we have provided the sector.

<sup>&</sup>lt;sup>1</sup> Office of the Auditor General, Local Government Management of Purchasing Cards, OAG website, 12 June 2024, accessed 1 May 2025.

## **Executive summary**

#### Introduction

This audit assessed if the following six metropolitan local government entities (entities) effectively manage the issue, use and cancellation of purchasing cards:

- City of Cockburn
- City of Fremantle
- City of Melville
- City of Perth
- City of Subiaco
- Town of Victoria Park.

We previously audited the management of purchasing cards in June 2024 at three regional entities and found inadequate policy guidance for what they considered was allowable and reasonable expenditure, weaknesses in controls over the issue and cancellation of cards, and a lack of effective oversight.<sup>2</sup>

Both audits considered the requirements of the *Local Government Act 1995* (LG Act) and associated regulations, guidelines issued by the Department of Local Government, Sport and Cultural Industries and our better practice guidance in Appendix 1.

#### **Background**

Purchasing cards are a well-established part of modern purchasing systems and are a cost effective, convenient and timely way to pay for goods and services of low value. Purchasing cards include corporate credit cards, store cards<sup>3</sup>, fuel cards and taxi cards. This audit focused on credit cards and store cards.

Entities need to demonstrate that purchases meet a legitimate and authorised business need and meet community expectations around the responsible use of public money. Improper, wasteful or unauthorised purchases that are not identified and resolved result in financial loss to the entity.

Effective controls, appropriate to an entity's size and risk, help to prevent and detect inadvertent or deliberate misuse of purchasing cards. These include:

- up-front controls to prevent misuse and errors before a purchase is made. These
  include clear policies, procedures and guidance, preset card limits and delegations to
  purchase
- controls to detect errors and misuse after a purchase is made. These include
  processes to review and approve purchases in a timely way, the monitoring, reporting
  and oversight of card use and destruction processes.

<sup>&</sup>lt;sup>2</sup> Office of the Auditor General, <u>Local Government Management of Purchasing Cards</u>, OAG website, 12 June 2024, accessed 1 May 2025.

<sup>&</sup>lt;sup>3</sup> Store cards are a type of credit card that offer a line of credit for use in a specific store or chain of stores such as large supermarket and hardware retailers.

Entities also need to meet their legislated financial responsibilities. The LG Act and associated regulations require:

- entities to develop procedures for the payment of accounts to ensure there is effective security for, and properly authorised use of, purchasing cards<sup>4</sup>
- CEOs to keep proper accounts and records in accordance with regulations<sup>5</sup>
- councils to oversee allocation of their entity's finances and resources, and determine policies<sup>6</sup>
- entities to present their council with a monthly payment listing of all purchasing card transactions and the list recorded in the council minutes<sup>7</sup>. This provides for increased council and public scrutiny of local government spending.

Figure 1 provides an overview of the key components of purchasing card management. highlighting the controls we assessed during the audit and our better practice guidance (Appendix 1).

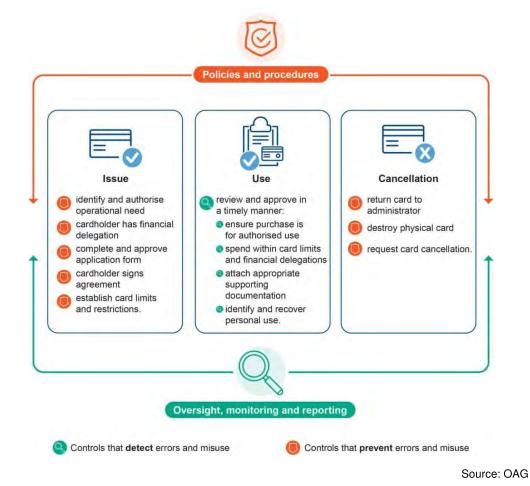


Figure 1: Overview of key components in purchasing card management and controls

<sup>&</sup>lt;sup>4</sup> Local Government (Financial Management) Regulations 1996, regulation 11(1)a.

<sup>&</sup>lt;sup>5</sup> Local Government Act 1995, section 6.5(a).

<sup>&</sup>lt;sup>6</sup> Local Government Act 1995, sections 2.7(2)(a) and (b).

<sup>&</sup>lt;sup>7</sup> Local Government (Financial Management) Regulations 1996, regulation 13A took effect from 1 September 2023.

The Department of Local Government, Sport and Cultural Industries provides the sector with broad guidance on the management of purchasing cards and changes in legislation through accounting and operational guidelines, circulars, alert bulletins and monthly webinars.

#### Conclusion

The six entities had varying controls in place to manage the issue, use and cancellation of their purchasing cards, but weak implementation and control gaps meant their controls were only partly effective.

Appropriately, cardholders provided receipts to support their purchases. This control helps entities meet their legislated responsibilities and ratepayers' expectations around the responsible use of public money.

However, we found gaps and weaknesses in all areas of purchasing card management that increase the likelihood of cards being inadvertently or deliberately misused:

- Policies and guidance for staff did not clearly state what was allowable and reasonable expenditure on such things as travel, accommodation, meals and alcohol. In addition, purchases were not always adequately reviewed and approved in a timely manner.
- The operational need for a purchasing card was not always established; cards were issued to staff who did not have delegated authority to make purchases; cardholder obligations and responsibilities were not made clear; and cards were not promptly returned and destroyed when no longer needed.
- A lack of oversight and monitoring of how well purchasing cards were managed meant entities were missing opportunities to identify and promptly address the risks of card misuse and financial loss.

Although our audit found gaps and weaknesses, our transaction sample testing did not find any evidence that cardholders misused public money, in part because none of the entities had clearly stated for staff what they considered allowable and reasonable business expenditure.

## **Findings**

## Controls over the use of purchasing cards were partly effective

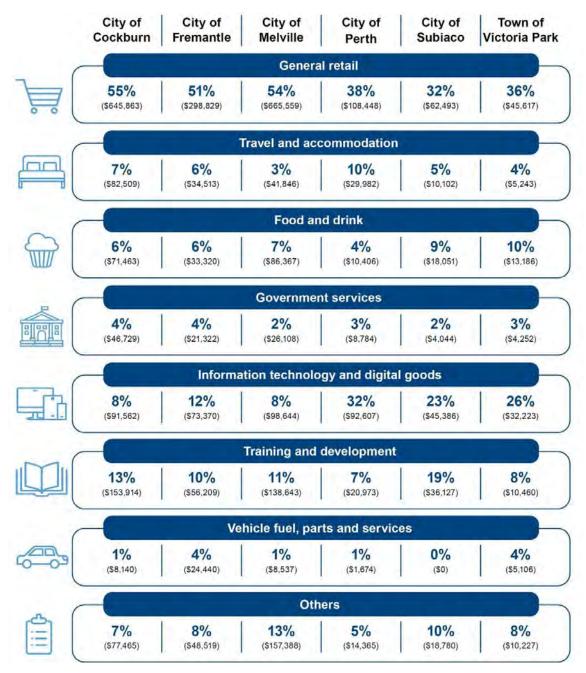
We found cardholders provided receipts or other documentation to support more than 95% of purchases. In total, the six entities had 365 purchasing cards and made purchases totalling around \$4.5 million during our 12-month audit period (Figure 2). Appropriately, purchases were generally for low value items with most transactions valued below \$500.



Source: OAG based on entity information

Figure 2: Key purchasing card statistics from 1 October 2023 to 30 September 2024

Our analysis across all six entities showed credit card purchases generally fell into the range of categories set out in Figure 3.



Source: OAG based on entity information

Note: percentages may not add up to 100% due to rounding. We have analysed credit card transaction data only.

Figure 3: Purchase categories for 1 October 2023 to 30 September 2024

#### Inadequate policies and guidance on allowable and reasonable business use

None of the six entities had clearly stated for staff what was considered allowable and reasonable business expenditure. Entities regularly made purchases for travel, meals, alcohol, entertainment and gifts. Clear policies and guidance are important preventive controls to guide staff decisions when purchasing and reduce instances of unreasonable and excessive spending. The community has a right to expect that public money will be spent carefully and only for legitimate business purposes.

The following case study provides examples of approved purchases that in the absence of clear policies and guidance, we queried if the spending was reasonable.

#### Case study 1: Reasonableness of business use

#### Alcohol and meals

- \$1,026 for an elected member and staff dinner after a council meeting, including three bottles of wine at \$70 each. It is the entity's practice to go out to dinner after meetings once a month to support local businesses in the area.
- Four entities have on-site bars. We identified alcohol purchases including:
  - \$990 for wine and spirits
  - \$412 for four cases of wine.
- \$280 for four bottles of champagne to celebrate a major achievement with elected members and staff.
- \$259 for an offsite meeting between the CEO and two senior individuals from key community organisations that included the purchase of a bottle of wine (\$68) and oysters (\$42).

#### Gifts

\$86 on three bottles of wine as gifts for partners of three retiring elected members.

#### Travel

\$2,489 for a car service to transport 10 people (two elected members, the CEO and seven external delegates) to events over two evenings during an international conference.

We found that none of the entities had documented processes or timeframes to recover money when purchasing cards were used to pay for personal items. Purchasing cards should not be used to purchase personal items under any circumstances, even when the cardholder plans to reimburse the entity. If purchases cannot be clearly split into personal and business components at the time of purchase, a better approach is to pay with a personal account and then seek a reimbursement from the entity for the business component.

Entities need to have processes in place to promptly identify and recover the cost of personal purchases to prevent loss of public money.

#### Inadequate review and manager approval of purchases

The entities did not always adequately review and approve purchasing card transactions. None of the entities fully complied with their own policy and procedures. We found instances:

- at all entities where purchases were not reviewed and approved within their own specified timeframes or where timeframes were not set. One purchase was not approved for 208 days (City of Fremantle)
- at three entities where pre-approvals were not obtained in line with the entities' requirements for specific items (e.g. alcohol), purchases over a certain value or

permission to use another person's card (City of Fremantle, City of Melville and City of Subiaco)

- at two entities where records did not include required information such as the purpose
  of providing entertainment or hospitality or the number of employees attending (City of
  Fremantle and Town of Victoria Park)
- at one entity where not all purchases made by the CEO were approved (City of Victoria Park).

#### In addition:

- one entity could not provide us with key records for most of their purchases due to a system limitation. We identified this limitation during our audit. These key records included description of purchases, who had approved them and when (City of Victoria Park)
- one entity did not have policies and procedures for who should review and approve store card purchases (City of Cockburn)
- two entities did not specify who should approve CEO purchases (City of Fremantle and City of Subiaco).

To ensure a purchase is allowable and reasonable, a direct manager<sup>8</sup> who is aware of the cardholder's role and purchasing requirements should conduct a timely review and approve purchases. This reduces the likelihood of unreasonable, inappropriate or unauthorised transactions going undetected.

#### We also found:

- card sharing taking place. This increases the likelihood of unauthorised or fraudulent purchases and makes it difficult to identify the purchaser (City of Subiaco)
- the collection of personal reward scheme points on a small number of business purchases, and all of them had not been identified nor reported as part of the approval process (City of Cockburn, City of Perth, City of Melville, Town of Victoria Park). A risk exists with reward schemes that cardholders may make purchases through a particular supplier to gain a personal advantage.

The following case study is an example of control weaknesses and delays in approving purchases at one entity.

#### Case study 2: Control weaknesses to approve purchases

An entity's policies and procedures did not specify a timeframe for credit card purchases to be approved or who should approve purchases made by the CEO.

#### We found:

- three purchases were not approved until over 125 days after the transactions took place
- the date of approval was not recorded for almost two thirds of the purchases we reviewed. As a result, we could not determine the timeliness of the approval for all credit card purchases

<sup>&</sup>lt;sup>8</sup> In the case of the CEO, the chief finance officer (or equivalent) or a suitably senior staff member.

the CEO and a director approved their own purchases.

Timely and appropriate approval of purchases can detect inadvertent and deliberate misuse and prevent fraudulent use.

## Controls over the issue and cancellation of cards were partly effective and require improvement

The six entities' management of the issue and cancellation of purchasing cards was only partly effective. We identified the following control weaknesses:

- all entities' policies and procedures were missing some key elements such as an application process to approve eligibility and need for a card; who should approve a new card; a cardholder agreement form outlining cardholder obligations and responsibilities; and processes to cancel cards
- registers at all entities either did not list all purchasing cards or were missing key information such as acknowledgement of card return and date of card destruction
- no policies or procedures for the issue and cancellation of store cards (City of Cockburn and City of Subjaco)
- purchasing cards were issued to staff who were not recorded in the delegations register as having the required delegated authority to make purchases (City of Cockburn, City of Melville, City of Perth, City of Subiaco)
- all cardholders had not signed agreements acknowledging their legal obligations and responsibilities or had signed the agreement up to seven months after they received their card (Town of Victoria Park)
- delays of between one to eight months to cancel cards when staff exited the entity, including one card that was used to make a purchase 259 days after the staff member exited (City of Cockburn, City of Fremantle, City of Melville, Town of Victoria Park).

There is an increased likelihood of inadvertent or deliberate misuse and financial loss to entities when cards are not appropriately issued and cancelled.

#### Lack of appropriate oversight of purchasing card controls

Three entities did not meet legislative requirements to provide council with a list of all purchases. We found:

- reporting of store card purchases did not include the payees name, date and sufficient details to identify each payment (City of Melville and City of Subiaco)
- individual reporting of store card purchases did not start until April 2024 even though it was required from September 2023 (Town of Victoria Park).

All entities had instances where they provided council with vague descriptions of purchases and could have better identified the expenditure to facilitate transparency and proper scrutiny of how public money is being spent.

None of the entities had appropriate management oversight of purchasing card control effectiveness. None routinely monitored controls to issue, use and cancel cards and report on shortcomings to management. Regular monitoring activities, like those described in our better practice guide in Appendix 1, would assist entities to identify control gaps and address

weaknesses in a timely manner. All entities reviewed their financial management systems and procedures as required by legislation<sup>9</sup> but not all of the reviews included a review of purchasing card procedures. One entity had conducted a one-off internal audit of their purchasing card control effectiveness which was finalised during our audit (City of Cockburn).

<sup>&</sup>lt;sup>9</sup> Local Government (Financial Management) Regulations 1996, regulation 5(2)c.

#### Recommendations

- The six entities should ensure their policy and guidance is clear on what is allowable and reasonable business use expenditure for items such as travel, alcohol, meals, entertainment and gifts.
- 2. The six entities, as relevant, should:
  - report purchasing card transactions more transparently to council to enable better a. scrutiny of how public money is being spent
  - have suitable controls in place to manage the issue and timely cancellation of b. purchasing cards
  - review and approve purchasing card transactions in a timely manner C.
  - keep proper records of the review and approvals of purchasing card transactions d. and card cancellations
  - regularly monitor and report on purchasing card controls to allow management to oversee usage and control effectiveness. The results of reviews should be documented and retained.

In accordance with section 7.12A of the Local Government Act 1995, the six entities should prepare a report on any matters identified as significant to them for submission to the Minister for Local Government within three months of this report being tabled in Parliament, and within 14 days of submission publish it on their website.

### **Response from entities**

#### **City of Cockburn**

The City thanks the Office of the Auditor General for the conduct of this performance audit.

The findings of the Office of the Auditor General's performance audit align with the findings of a separate credit and purchasing card internal audit that the City had performed in 2024/25. The City values the insight the Office of the Auditor General has provided. The community must be confident that the City has appropriate controls in place for purchasing cards and guidance for their use by the City. This includes setting expectations on reasonable business use for expenditure for items such as travel, alcohol, meals, entertainment and gifts to staff.

The Office of the Auditor General has previously highlighted the need for local governments to provide policy guidance on reasonable business use. As a result, when Council considered the Civic Hospitality and Gifts Policy at the 13 May 2025 Council meeting, it resolved to "REQUEST a further report to be presented to the June 2025 Governance Committee meeting to respond to the Office of Auditor General's guidance on the need to develop clear policy guidance for employees and Elected Members on what is allowable and reasonable business expenditure on meals, entertainment and hospitality."

The City will implement the findings of this Office of the Auditor General Performance Audit and report on them to the Minister for Local Government as well as to the City's Audit, Risk and Compliance Committee, and Council.

#### **City of Fremantle**

The City of Fremantle acknowledges and accepts the audit's recommendations. The City of Fremantle remains committed to ongoing improvement and will take steps to strengthen its practices and ensure transparency, accountability and continued responsible use of public resources.

#### City of Melville

The City of Melville acknowledges the findings from the performance audit into purchasing card management and is committed to strengthening governance, compliance, and oversight. While the audit did not find evidence that cardholders misused public money, the City recognises the importance of continuous improvement in the management of its purchasing cards. Implementation of recommendations has commenced ensuring alignment with better practice principles.

#### City of Perth

The City of Perth is committed to continuous improvement and feedback, and has welcomed the opportunity to participate in the OAG's purchasing cards performance audit.

Contextually, purchasing cards account for less than 0.1% of the City's total expenditure.

In 2020, following the conclusion of the most complex Inquiry into a local government in Western Australia, the City embarked upon an 'Evolution to Excellence' to address all 215 Inquiry recommendations assigned to the City.

In 2024, the City concluded this significant body of work and provided the State Government (through the Department of Local Government, Sport and Cultural Industries) comprehensive evidence to substantiate its completion of each of the 215 recommendations. The City's response was achieved through strong leadership, clear

direction and commitment to address the governance and operational issues identified through the Inquiry. As a result of these efforts, the City has strengthened its internal governance, operations and financial management.

The City has established a high calibre Audit and Risk Committee, with independent membership, to oversight the operations and performance of the City.

The City considers all opportunities for improvement as a means of further strengthening its processes and systems and importantly ensuring value for its rate payers.

The City has established a range of policies and guidance (8 in total) for staff and elected members on what is allowable and reasonable business use expenditure for items such as travel, alcohol, meals, entertainment and gifts. On this basis, the City does not agree with recommendation one within this report.

#### City of Subiaco

The City of Subiaco embraces continuous improvement and welcomes opportunities to improve our processes in accordance with the OAG's recommendations. The City considers the risk associated with usage of its credit cards to be low, given that there are only two credit cards, that they are only used for purchases that cannot be made by other mechanisms, and that they have low limits. Total monthly expenditure ranges between \$10k and \$20k, with expenditures typically comprising IT subscriptions, sundry items for community events, staff training and memberships, and catering for council meetings and workshops held after hours.

There are also strong controls in place given that every purchasing card transaction is scrutinized by the Finance team, the Director Corporate Services, and is reported to Council Meetings each month for the further scrutiny of every elected member and the general public. This is a much higher bar of transparency than provided by state government agencies. General staff using the two shared credit cards do not have access to the card details, and can only make payments following a supervisor's authorisation, providing a 'gate' control which arguably reduces the risk compared to organisations that allocate cards to every staff member with a purchasing need. All purchases are made in accordance with budgetary constraints and are subject to the same Purchasing policy and protocols as every other transaction in the City.

#### **Town of Victoria Park**

The Town of Victoria Park acknowledges the overall findings and recommendations by the OAG in the performance audit. The Town has already started the process of reviewing its current Policy, Management Practice, Procedure and Transaction Card Agreement, around the use and management of purchase cards. This will take into consideration the recommendations included in these findings, operational guidelines provided by the DLGSC, better practice guidance provided by the OAG and legislative requirements. This will then be communicated to all cardholders and monitored by the Town's card administrators for its effectiveness moving forwards. The Town would like to note that the performance audit did not find any evidence of fraud or that the Town's cardholders misused public money.

## Audit focus and scope

The objective of this audit was to assess if six local government entities effectively manage the issue, use and cancellation of purchasing cards. The criteria were:

- Are there effective controls over the issue and cancellation of purchasing cards?
- Are there effective controls over the use of purchasing cards?

The audit reviewed the issue, use and cancellation practices of each entity over the period 1 October 2023 to 30 September 2024.

We assessed each entity's policies and procedures against legislative requirements, the Department of Local Government, Sport and Cultural Industries' operational guidelines and our better practice guidance in Appendix 1. At each entity, we also assessed a sample of CEO purchasing card transactions and whether there was adequate independent review.

This was an independent performance audit, conducted under section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$415,000.

## **Appendix 1: Better practice guidance**

Local government entities need to have purchasing card policies and procedures that are upto-date and accessible to staff. These policies and procedures should include key controls for the issue, use and cancellation of purchasing cards and be regularly reviewed.

The table lists requirements for effective purchasing card management, which guided our audit. It is not intended to be an exhaustive list.

Purchasing card management	Outcome	What we expect to see
Issue	Cardholder eligibility and operational need is established, an application is appropriately approved and the cardholder is made aware of their legal obligations and responsibilities	<ul> <li>cardholder has appropriate financial delegation to incur expenditure. Delegations should also be set for certain types of expenditure</li> <li>an application form is appropriately approved</li> <li>card limits are based on cardholders need</li> <li>cardholder and their manager sign an agreement that clearly sets out the legal obligations and responsibilities and the purposes for which a card may or may not be used</li> <li>cardholder acknowledges that they understand and will comply with purchasing card policy and procedures</li> <li>cardholder receives training on procedures and requirements</li> <li>card administrator updates the purchasing card register with key cardholder information.</li> </ul>
Use	Purchases are for business use and are properly reviewed and approved in accordance with the purchasing card policies and procedures	<ul> <li>purchases should be within the transaction and card limits. They should not be split to circumvent these limits</li> <li>entity sets out appropriate delegations for approval of expenditure</li> <li>timely review and approval of transactions:         <ul> <li>cardholder: reviews statements to ensure accuracy of reported purchases, attaches adequate supporting documentation, codes purchases and provides sufficient details to identify the purchase</li> <li>cardholder's direct manager<sup>10</sup>: reviews and approves purchases to ensure appropriate business use, consistency with cardholder's role and responsibilities, and compliance with policies and guidelines</li> </ul> </li> </ul>

<sup>&</sup>lt;sup>10</sup> In the case of the CEO, the chief finance officer (or equivalent) or a suitably senior staff member.

Purchasing card	Outcome	What we expect to see
management  Cancellation	Timely cancellation of purchasing cards to prevent unauthorised purchases and unnecessary card fees	<ul> <li>review and approval processes have adequate documentation</li> <li>processes to repay any personal purchases</li> <li>guidance for purchases where cards are not physically present such as online telephone and internet purchases</li> <li>treatment of reward schemes and loyalty programs as purchasing cards should not be used to gain a personal benefit</li> <li>procedures for when a cardholder is on leave to ensure card security.</li> <li>immediate cancellation once a cardholder exits or has a change in employment requirements</li> <li>cardholder returns card to the administrator</li> <li>cards should be destroyed, and evidence of destruction recorded</li> <li>administrator enters cancellation and destruction information in cardholder register.</li> </ul>
Oversight	Regular monitoring and reporting to provide management with insights into use and the effectiveness of controls and to address shortcomings in a timely manner  Evidence of reviews should be retained	Examples of monitoring and reporting include:

Purchasing card management	Outcome	Wha	What we expect to see		
		•	Periodically:		
			<ul> <li>sample test transactions for appropriate business use and compliance with policies and procedures</li> </ul>		
			<ul> <li>analyse usage and supplier patterns to inform procurement practices</li> </ul>		
			<ul> <li>review purchasing card policy against operational guidelines and better practice principles</li> </ul>		
			<ul> <li>review the appropriateness and effectiveness of financial management systems and procedures as required by legislation.</li> </ul>		

Source: OAG

## **Auditor General's 2024-25 reports**

Number	Title	Date tabled
17	Local Government Management of Purchasing Cards – Larger Metropolitan Entities	28 May 2025
16	Fraud Risks in Land Transactions by DevelopmentWA	28 May 2025
15	Electricity Generation and Retail Corporation (Synergy)	30 April 2025
14	State Government 2023-24 – Information Systems Audit Results	30 April 2025
13	State Government 2023-24 – Financial Audit Results	30 April 2025
12	Local Government 2023-24 – Financial Audit Results	24 April 2025
11	Local Government 2023-24 – Information Systems Audit Results	11 April 2025
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## Office of the Auditor General for Western Australia

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Report 19: 2024-25 | 6 June 2025
PERFORMANCE AUDIT

# Administration of Personal Leave



#### Office of the Auditor General for Western Australia

#### Audit team:

Aloha Morrissey Adam Dias Justine Mezzatesta Talia Channer Daniel Franks Adam Lines Bruce Miller Sumudu Nanayakkara Manmeet Kaur

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We can deliver this report in an alternative format for those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

Image credit; shutterstock.com/g/Hongrama

#### WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Administration of Personal Leave** 

Report 19: 2024-25 6 June 2025

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THE PRESIDENT
LEGISLATIVE COUNCIL

THE SPEAKER LEGISLATIVE ASSEMBLY

#### ADMINISTRATION OF PERSONAL LEAVE

This report has been prepared for submission to Parliament under the provisions of sections 24 and 25 of the *Auditor General Act 2006*.

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed if five State government entities effectively administer personal leave entitlements to minimise financial risk.

I wish to acknowledge the entities' staff for their cooperation with this audit.

Caroline Spencer Auditor General

6 June 2025

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Entities have generally adequate controls and systems to administer personal leave, but they can be improved	
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#### Auditor General's overview

Personal leave is an important entitlement provided to all non-casual staff, allowing for the continuation of pay in times of illness, injury or on compassionate grounds. The State Government provides generous personal leave entitlements to its public service staff and expects this to be well administered by entities.

This cross-entity audit has been conducted as something of a hygiene audit, to determine the extent and scale of issues in administering personal leave across State government entities. While personal leave is typically not seen as a financial liability and is not routinely part of our financial audits, it can have financial consequences for entities, particularly if staff take paid leave they are not entitled to.

It is reassuring to confirm that entities generally had appropriate systems to administer instances of personal leave in a timely and accurate manner.

However, I was concerned to find that staff in one entity took personal leave without it being recorded in the HR system and appropriately deducted from their leave balances and at three entities staff accrued time off in lieu when taking personal leave. This can lead to inequity in staff leave balances and potential 'double-dipping', highlighting why strong processes are required, particularly when systems do not prevent this from occurring.

Most improvement opportunities we identified were in how systems were implemented. Internal personal leave audits would help entities identify any system problems and correct any inaccurate leave balances.

Audited entities have received detailed audit findings relevant to them. I encourage all public sector entities to consider the issues identified in this report, particularly addressing the use of personal leave to accrue time off in lieu, and check if their administration of personal leave needs tightening. We will also communicate this to audit committees as part of our routine communications.

As with previous audits, we reviewed our own approach to the audit topic. We also found instances of staff having accrued time off in lieu (flexi) when taking personal leave. Our office's flexible working arrangements help us to manage our resources during busy periods and compensate staff who need to work additional hours due to the cyclic nature of audit. However, these arrangements should not be allowed to result in the inappropriate accrual of flexi. As our legacy time recording system does not prevent this, we will immediately update our policies and guidance for staff and carry out more regular system checks.

## **Executive summary**

#### Introduction

This audit assessed if the following five State government entities (entities) effectively administer personal leave entitlements to minimise financial risk:

- Department of Finance
- Lotteries Commission (Lotterywest)
- Office of the Director of Public Prosecutions
- Western Australian Sports Centre Trust (VenuesWest)
- Zoological Parks Authority (Perth Zoo).

We reviewed the administration of personal leave between 1 September 2023 and 31 August 2024 for staff covered by the Public Sector Civil Service Association Agreement 2022 (the Agreement).

## Background

The Western Australian public sector is the largest employer in the State, employing more than 170,000 people. Personal leave entitlements are specified by various awards and agreements for different roles. The Agreement covers many State government entities and approximately 35,800 public sector staff, including those in our audit.<sup>1</sup>

Under the Agreement staff are entitled to up to 15 days of paid personal leave a year, with unused hours accumulating. Personal leave can be used:

- if employees are ill or injured
- to provide care or support to a member of their family or household because they are ill
  or injured
- for unanticipated matters of a compassionate or pressing nature
- for certain planned matters that cannot be organised outside of normal working hours or accommodated by flexible working arrangements or other leave.

Other conditions outlined in the Agreement include:

- how much and when leave is credited to new staff
- entitlement accrual to be calculated based on hours worked each fortnight
- staff can access leave from the next year if employed for more than 12 months
- staff can apply for leave without pay if their entitlements are exhausted.

Under the Agreement, flexible working arrangements are not to be used to accrue periods of leave. This means staff cannot exceed their daily work hours using personal leave.

<sup>&</sup>lt;sup>1</sup> A new agreement was registered with the WA Industrial Relations Commission on 23 December 2024, outside the scope of this audit.

#### (Appendix AAR 10.2C)

The Treasurer's Guidance Handbook<sup>2</sup> outlines relevant best practice for State government entities around recording of staff attendance and time worked.

Entities need both time attendance and human resource (HR) systems. Time attendance systems record staff hours worked and leave taken, while HR systems calculate entitlements, process applications and manage leave balances. Under the Agreement, leave balances can be transferred with staff to new employment at other public sector entities.

Staff taking only leave they are entitled to minimises impacts to service delivery and possible financial loss if overpayments cannot be recovered.

#### Conclusion

The audited State government entities were generally effective in administering personal leave entitlements to minimise financial risk and ensure staff have access to leave. All five had controls and systems to manage personal leave, but the audit identified some weaknesses that need improvement, including a lack of controls to stop staff accruing time off in lieu when personal leave is taken.

Entity time attendance and HR systems typically had appropriate features to administer personal leave. We also found most personal leave applications were generally managed well and finalised in a timely manner.

However, leave balances were not always accurate and entities did not always have the appropriate checks in place to help identify inaccuracies. We found at one entity not all personal leave taken was deducted from staff balances. We also identified examples where staff were given incorrect credits. Lastly, some entities did not always maintain the time attendance records needed to verify leave bookings. Appropriate checks of personal leave are vital to identify inconsistencies in records and any inaccuracies of leave balances.

<sup>&</sup>lt;sup>2</sup> Department of Treasury, Treasurer's Guidance Handbook, wa.gov.au website, December 2024.

#### **Findings**

# Entities have generally adequate controls and systems to administer personal leave, but they can be improved

#### Time recording and HR systems are in place

Entities have time attendance and HR systems that allow:

- the capture of work hours and leave types
- staff to submit timesheets for manager approval
- approval by appropriate managers
- leave applications to include the reasons and supporting documentation
- critical information to be assigned to each staff member, including their relevant work agreement and arrangements.

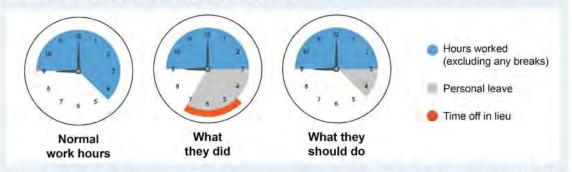
Robust systems support entities to accurately calculate entitlements and record personal leave taken.

However, some time attendance systems did not have controls in place to stop staff from accruing time off in lieu³ when personal leave was taken. At three entities, the use of personal leave led to the accrual of time off in lieu (Case study 1). These entities' timekeeping systems did not prevent this from happening, and none had policies or guidance for staff on this issue. Inappropriately accruing time off in lieu can lead to productivity losses for entities.

#### Case study 1: Accruing time off in lieu while taking personal leave

Over the audit period, we found 252 incidents (207 hours) at three entities, where time off in lieu was inappropriately accrued through claiming personal leave.

An example of how this occurs was a staff member who worked six hours of their sevenand-a-half-hour workday and required personal leave in the same day. Instead of claiming one and a half hours as personal leave to make up the balance of their workday, the staff member claimed four hours. As this was a total of 10 hours for the day, two and a half hours was accrued as time off in lieu (Figure 1).



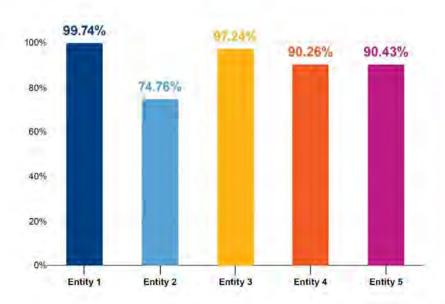
Source: OAG based on entity data

Figure 1: Example of how personal leave was used to inappropriately accrue time off in lieu

<sup>&</sup>lt;sup>3</sup> Typically referred to as flex within State government entities.

#### Most personal leave applications were appropriately managed

Personal leave applications were generally processed in a timely manner across all five entities. In nearly all cases, leave applications were submitted, approved and balances deducted within two-weeks (Figure 2). Timely processing of leave provides staff with current and accurate balances. This reduces the risk of entities paying staff for leave taken that they were not entitled to.



Source: OAG based on entity data

Figure 2: Personal leave applications finalised within 14 calendar days

#### Leave balances were not always accurate

Personal leave that had been taken was not always removed from staff balances in the HR system. At one entity, 46 staff recorded at least 895 hours (roughly 119 days) of personal leave in their timesheets that was not booked in the HR system. As there was no related HR booking, the leave balances were not updated and were therefore incorrect in the HR system. Regular checks would help entities identify these types of errors, preventing overstated balances and possible financial implications.

Entities did not always have appropriate checks in place to monitor leave balances. We found entities did not regularly review balances, although some did check balances when transferring staff to another entity. We sampled a small number of leave balances and found:

- three entities did not always correctly adjust accrual rates for some staff that changed their working hours, leading to both over and understated balances
- one entity awarded too much leave to staff transferring in. The entity provided these staff an advance on their personal leave (as though they were new starters) on top of their existing balance, which was not rectified
- three entities awarded some new starters incorrect personal leave entitlements that either did not reflect their contract length or conditions under the Agreement. At one entity, two new starters were awarded their initial leave entitlement but began to accrue leave simultaneously, resulting in these staff receiving double the initial entitlement.

#### (Appendix AAR 10.2C)

Appropriate checks are vital as incorrect balances can lead to staff accessing more leave than entitled to or create a burden on staff who may not have access to their full entitlement or be required to repay any excess taken.

Entities did not always maintain the necessary attendance records to confirm when staff took leave. We found:

- at one entity, over 50% of staff were not required to keep timesheets and so there was no reliable corroborating record of when they took personal leave<sup>4</sup>
- timesheets at two entities were sometimes approved by other business units who did not know the staff's movements to reliably inform approval.

Without appropriate attendance records, entities cannot verify that all leave is accurately booked in the HR system. This can lead to incorrect leave balances.

<sup>&</sup>lt;sup>4</sup> During the audit the entity changed their process, and staff are now required to keep a timesheet.

#### Recommendation

- All State entities should have effective systems to administer personal leave and ensure accurate leave balances, including controls to:
  - prevent personal leave leading to the accrual of time off in lieu a.
  - b. record staff attendance and use of personal leave
  - accurately calculate and award leave entitlements C.
  - d. periodically review system calculations and balances.

Implementation timeframe: 1 January 2026 or as marked in the entity response

below

Entity response: Supported by all entities

#### Response from audited entities

#### Department of Finance

Finance accepts the recommendations to enhance its internal controls in the administration of personal leave and will implement the following actions to address the identified issues:

#### Review of timesheet approval processes

Finance will review Timesheet approval processes and implement required controls to prevent employees from accruing time off in lieu when part-day personal leave is taken. Line managers will be made aware of the OAG findings and will be reminded of their responsibility to verify timesheet accuracy, ensuring that hours worked, and leave taken are correctly recorded, and that bookings are submitted and approved prior to timesheet approval. Employees with personal leave recorded in timesheets but no corresponding booking in the Payroll System will be contacted to submit outstanding leave requests.

#### Update of People Services procedures

Finance will review procedures and quality assurance checklists related to the allocation of leave entitlements to ensure that instructions are clear and provide consistent guidance to all relevant officers.

#### Ongoing leave audits

Finance will continue to conduct audits of employee leave entitlements, particularly for employees returning from long-term leave, cashing out leave, or with long service leave balances less than one day. These audits will help identify and address any inconsistencies in system calculations and balances.

Finance is committed to implementing the recommended improvements and all actions outlined will be completed by 1 January 2026.

#### **Lotteries Commission**

Lotterywest considers safeguarding against financial risks essential, to mitigate such risk, appropriate systems and controls are implemented and reviewed to ensure they are operating effectively. The recent Office of the Auditor General (OAG) review focused on the effectiveness of systems relating to the administering of personal leave and the accuracy of leave balances. In response to the recommendations, Lotterywest will:

- review its Leave Management Policy to ensure alignment with the OAG
  recommendations to clarify the requirement for employees to accurately record their
  personal leave to provide clear guidance around personal leave entitlements and the
  administration of personal leave, explaining where it is inappropriate to claim time-inlieu, resulting in the incorrect accrual of personal leave
- continue to require employees to record their attendance for work via the SAP time and attendance system to ensure the accuracy and validity of employee time worked and personal leave taken
- continue to ensure the calculations of leave entitlements are accurate and in line with the applicable award and agreement conditions

continue to conduct periodic reviews of system calculations and balances, to ensure that there is no inappropriate receipt of allowances, and that calculations and balances align with award/agreement conditions including the employee's actual entitlement

#### Office of the Director of Public Prosecution

We accept the recommendations in the summary of findings and note that these recommendations have been implemented since the audit. The appointment of our Payroll Coordinator has addressed the review and application of new processes and procedures to address them.

Overall, the findings are as expected and note that the findings and areas for improvement are acknowledged. Since the Audit, continuous improvement and refinements to procedures and processes have occurred. The Audit process enabled a thorough review which assisted in identifying areas requiring addressing and these have since been completed and continue to be undertaken to ensure a more stringent administration of personal leave entitlements.

#### Western Australian Sports Centre Trust

VenuesWest agrees with the recommendations above and will continue to work to ensure that we meet these requirements by 1 January 2026. Our commitments include:

- implementing a new process to audit leave balances on a regular (monthly) basis and continuing the process to audit leave entitlements when employees transfer to another agency
- ensuring accurate calculation of leave entitlements, recording of staff attendance and use of personal leave and ensuring that personal leave does not contribute to employees accruing time off in lieu or overtime through the implementation of a new rostering and time and attendance system – the implementation of this is almost complete.

#### **Zoological Parks Authority**

ZPA acknowledges the findings of the Auditor General's audit and is committed to strengthening the administration of personal leave. We have accepted all recommendations and are actively implementing system and policy improvements to ensure accuracy, transparency and compliance. We appreciate the collaborative approach taken by the audit team and thank them for their professionalism and guidance throughout the process.

We accept all recommendations outlined in the Summary of Findings and provide the following implementation plan:

- prevent personal leave leading to TOIL system update planned with implementation by December 2025
- record staff attendance and leave policy update in progress with implementation by June 2026
- accurate calculate and award leave HR system review underway with implementation by October 2025
- periodically review balances internal audit to monitor with implementation quarterly from July 2025.

#### Audit focus and scope

This audit assessed if five State government entities effectively administered personal leave entitlements to minimise financial risk. Entities were selected to ensure a sample of:

- staff employed under the Agreement
- varying sizes
- different entity types
- different time attendance and HR systems.

#### Our criteria were:

- Do entities have appropriate controls and systems?
- Are the controls and systems implemented effectively?

#### As part of the audit, we reviewed:

- in four entities:
  - policies, procedures and guidance for staff on personal leave
  - leave bookings and timesheet data
  - a sample of leave booking transactions with associated timesheet entries
  - a sample of leave accrual transactions
- in one entity:
  - policies, procedures and guidance for staff on personal leave
  - leave bookings and timesheet data.

#### We also undertook:

- wider data analysis across entire timesheet and leave booking datasets in all entities
- Interviews with a small number of staff in four entities to gain a better understanding of the consistency of administering personal leave.

This was an independent performance audit, conducted under section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$415,000.

# Auditor General's 2024-25 reports

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19	Administration of Personal Leave	6 June 2025	
18	Universities and TAFEs 2024 – Financial Audit Results	30 May 2025	
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(Appendix AAR 10.2C)

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Office of the Auditor General for Western Australia





**GARY OKELY**Head of JLT Public Sector, Pacific

# NOTE FROM GARY OKELY

The release of the 7<sup>th</sup> edition provides insights into the strategic risks that are significant for local government across Australia. The local government operating environment is complex, driven by the need to meet ever expanding community expectations, moderated by the fine balance of achieving financial sustainability within a robust legislative framework.

In our established role as a specialist risk advisor, local government executives engage with our teams on a daily basis, and the Risk Report proves a powerful tool to consolidate this collaboration to assist all councils, Audit & Risk Committee's, regional bodies and LGA's across the country.

Over the years, we have seen the distribution of the Risk Report be adopted as an important tool for Audit and Risk Committees as they support the management of specific local challenges through strategic, financial and risk mitigation planning.

The early part of 2025 has seen significant geopolitical change, and our recent Federal election has seen the continuation of a Labour Government. However, community focussed issues like cost of living, housing affordability, interest rate variations, insurance affordability, natural hazard events, continue to drive uncertainty. While direct impact on local economies across Australia vary, we know that the uncertainty will have ripple effects within the communities that local government serve.

This uncertainty places the lens squarely on the importance of a financially stable local government environment. One that communities can trust and rely upon. It is no surprise therefore that financial sustainability continues to rank as the key strategic risk in 2025, as Council Executives continue to

share concern about how then can deliver to the expectations of their communities.

This, along with cybersecurity, management of significant asset portfolios and the impact of disaster events remain high on the list of significant strategic risks.

Attracting and retaining skilled people within local government also continues to present challenges, noting these challenges are more pronounced in regional Australia.

As with previous years, the JLT Risk Report underscores the interconnected nature of the various risks facing Australian councils. As councils continue to navigate this complex landscape, a comprehensive and integrated approach to risk management remains essential for ensuring resilience and sustainability in the face of evolving, and uncertain, challenges.

Through the JLT Risk Report, we are pleased to be able to support local government with their strategic planning, community engagement and investment in risk mitigation – in order to serve their communities effectively while safeguarding their futures.



JLT Public Sector as the leading risk advisor to Local Government and is pleased to present the 2025 JLT Risk Report.

# 66

# Uncertainty places the lens squarely on the importance of a financially stable local government environment.

**GARY OKELY** 

Head of Public Sector

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# AUSTRALIAN LOCAL GOVERNMENT **RISK RANKINGS** FROM THE 2024 JLT RISK SURVEY

01

02

05

03

#### FINANCIAL SUSTAINABILITY

Financial sustainability remains the foremost risk for Australian councils, primarily driven by funding challenges. Cost shifting from higher levels of government and insufficient rate revenue exacerbate this issue. Many councils face the ongoing challenge of prioritising various risks that impact financial sustainability while striving to maintain service delivery and community well-being.

#### CYBER SECURITY

Cybersecurity is an increasing concern for Australian councils, with many expressing doubts about their IT infrastructure's capacity to manage emerging threats. This underscores the necessity for councils to implement robust preventive measures and effective incident response plans to mitigate potential breaches and ensure continuity of services.

#### **ASSETS & INFRASTRUCTURE**

Managing assets and infrastructure ranks as a significant challenge for councils, influenced by financial constraints, workforce shortages, and inflation. These factors hinder maintenance and upgrades, while declining financial capacity and difficulties in attracting skilled personnel complicate effective management. Strategic planning and innovative funding solutions are essential for long-term sustainability.

04

#### PEOPLE & CULTURE

The risk of disasters, both natural and manmade, is a top concern for Australian councils. While confidence in disaster preparedness is improving, councils increasingly acknowledge the unpredictable nature of climate change, prompting the need for adaptive planning and community engagement to enhance resilience.

**DISASTER & CATASTROPHE** 

Attracting and retaining professional staff remains a significant challenge for Australian councils. While improvements in staffing levels and health and safety compliance are noted, substantial issues persist, emphasising the continuation of strategic initiatives to enhance workforce engagement and well-being.



#### **CLIMATE CHANGE**

Climate change is a critical concern for Australian councils, particularly due to insufficient revenue for necessary adaptation measures. Key challenges include inadequate assessments of climate impacts and limited disaster recovery funding, highlighting the need for federal and state government support to bolster resilience and facilitate the transition to a net-zero economy.

07

# 08

# 09

# BUSINESS CONTINUITY PLANNING

Business continuity planning is a key risk area for councils, particularly regarding asset destruction from disasters. Other significant factors include workforce stability and IT outages, emphasising the need for councils to strengthen resilience strategies and invest in risk management to ensure operational continuity.

**INEFFECTIVE GOVERNANCE** 

#### STATUTORY/REGULATION

Many councils face ongoing risks related to non-compliance with regulatory requirements, with access to qualified staff being a major concern. Growing apprehensions about legislative changes and planning regulations underscore the need for strategic workforce development and enhanced compliance.

#### **WASTE MANAGEMENT**

Waste management has emerged as a leading concern for councils, driven by rising costs and environmental challenges. Councils are increasingly aware of the need to continually reassess their strategies, enhance recycling programs, and improve community communication to maintain public trust and satisfaction.

10

#### REPUTATION

Despite slight improvements in financial controls, ethical standards, and human resources, significant governance challenges remain.

Councils are encouraged to continue to address issues of ethical governance and effective management to meet community expectations for transparency and accountability.

A council's reputation depends on informed investment decisions, value-for-money services, and financial management. Trust-building efforts are compromised by a loss of confidence in a council's capacity to manage local affairs. Consequently, community engagement has shifted from merely informing to fostering conversation, highlighting the importance of a strong brand, leadership, and strategy to enhance trust.

LIABILITY CLAIM

12

Civil liability claims against councils can harm their reputation and erode public trust if not managed effectively. Often arising from negligence in land management, planning, and service delivery, these claims can lead to financial losses and damage the council's image, especially with media attention. Implementing strong risk management strategies is essential to prevent incidents and minimise claims.





#### **TASMANIA**

- 1. Cyber Security
- 2. Climate Change
- 3. Financial Sustainability
- 4. People & Culture
- 5. Disaster/Catastrophic Events



#### **NORTHERN TERRITORY**

- 1. Financial Sustainability
- 2. Asset & Infrastructure
- 3. Cyber Security
- 4. Waste Management
- 5. Reputational Risks



#### **QUEENSLAND**

- 1. Financial Sustainability
- 2. Cyber Security
- 3. Asset & Infrastructure
- 4. People & Culture
- 5. Disaster/Catastrophic Events



#### **NEW SOUTH WALES**

- 1. Financial Sustainability
- 2. Cyber Security
- 3. Asset & Infrastructure
- 4. Disaster/Catastrophic Events
- 5. People & Culture



#### **VICTORIA**

- 1. Financial Sustainability
- 2. Cyber Security
- 3. Asset & Infrastructure
- 4. Climate Change
- 5. Disaster/Catastrophic Events



#### **SOUTH AUSTRALIA**

- 1. Financial Sustainability
- 2. Cyber Security
- 3. Asset & Infrastructure
- 4. People & Culture
- 5. Climate Change

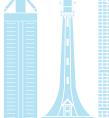


#### **WESTERN AUSTRALIA**

- 1. Asset & Infrastructure
- 2. Financial Sustainability
- 3. Cyber Security
- 4. Climate Change
- 5. Disaster/Catastrophic Events















# RISKS BY REGION



#### **CAPITAL CITY** - NSW | VIC

- 1. People & Culture
- 2. Ineffective Governance
- 3. Financial Sustainability
- 4. Waste Management
- 5. Cyber Security
- 6. Assets & Infrastructure
- 7. Climate Change
- 8. Statutory & Regulatory
- 9. Reputation

- 10. Disaster/Catastrophic Events
- 11. Civil Liability Claims
- 12. Business Continuity Planning

10. Ineffective Governance



#### METROPOLITAN - NSW | QLD | SA | TAS | VIC | WA

- 1. Financial Sustainability
- 2. Cyber Security
- 3. Climate Change
- 4. Assets & Infrastructure
- 6. Statutory & Regulatory
- 7. Waste Management
- 5. Business Continuity Planning 8. Disaster/Catastrophic Events
  - 9. People & Culture
    - 12. Civil Liability Claims

11. Reputation



#### REGIONAL CITY - NSW | QLD | SA | TAS | VIC | WA

- 1. Financial Sustainability
- 2. Assets & Infrastructure
- 3. Cyber Security

- 4. Disaster/Catastrophic Events 7. Climate Change
- 5. People & Culture
- 6. Reputation

- 8. Business Continuity Planning
- 9. Ineffective Governance
- 10. Statutory & Regulatory
- 11. Waste Management
- 12. Civil Liability Claims



#### REGIONAL - SW | NT | QLD | SA | TAS | VIC | WA

- 1. Financial Sustainability
- 2. Cyber Security
- 3. Assets & Infrastructure
- 4. Disaster/Catastrophic Events 7. Climate Change
- 5. People & Culture
- 6. Business Continuity Planning 9. Statutory & Regulatory
- 8. Waste Management
- 10. Ineffective Governance
- 11. Reputation
- 12. Civil Liability Claims

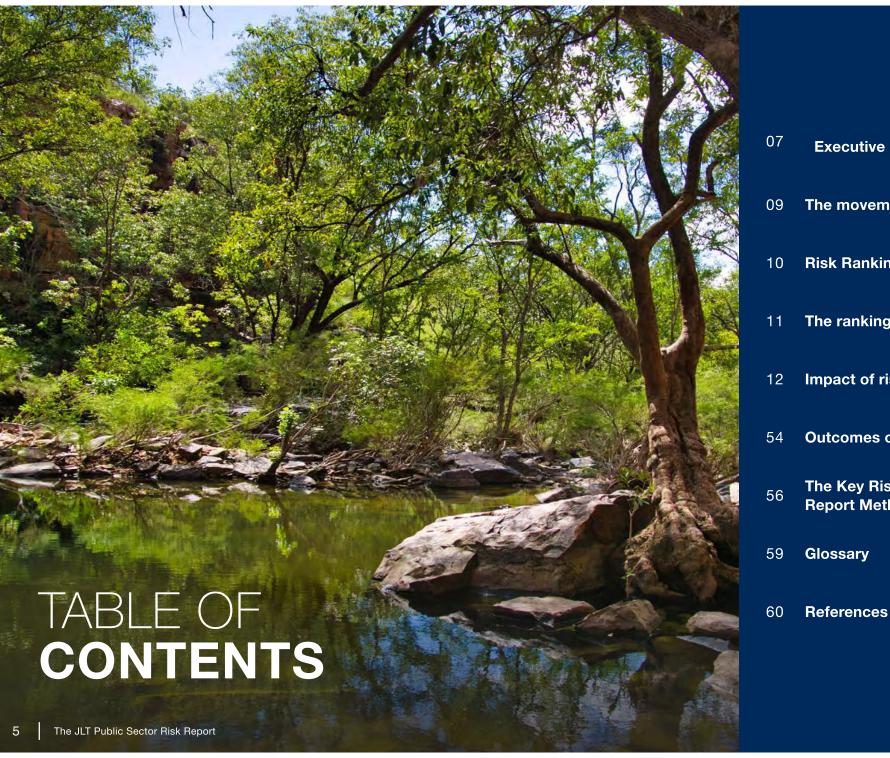


#### RURAL/REMOTE - NSW | NT | QLD | SA | TAS | VIC | WA

- 1. Financial Sustainability
- 2. Cyber Security
- 3. Assets & Infrastructure
- 4. Disaster/Catastrophic Events 7. Climate Change
- 5. People & Culture

- 8. Statutory & Regulatory
- 6. Business Continuity Planning 9. Waste Management
- 11. Reputation
- 12. Civil Liability Claims

10. Ineffective Governance



**Executive Summary** 

The movement of risk

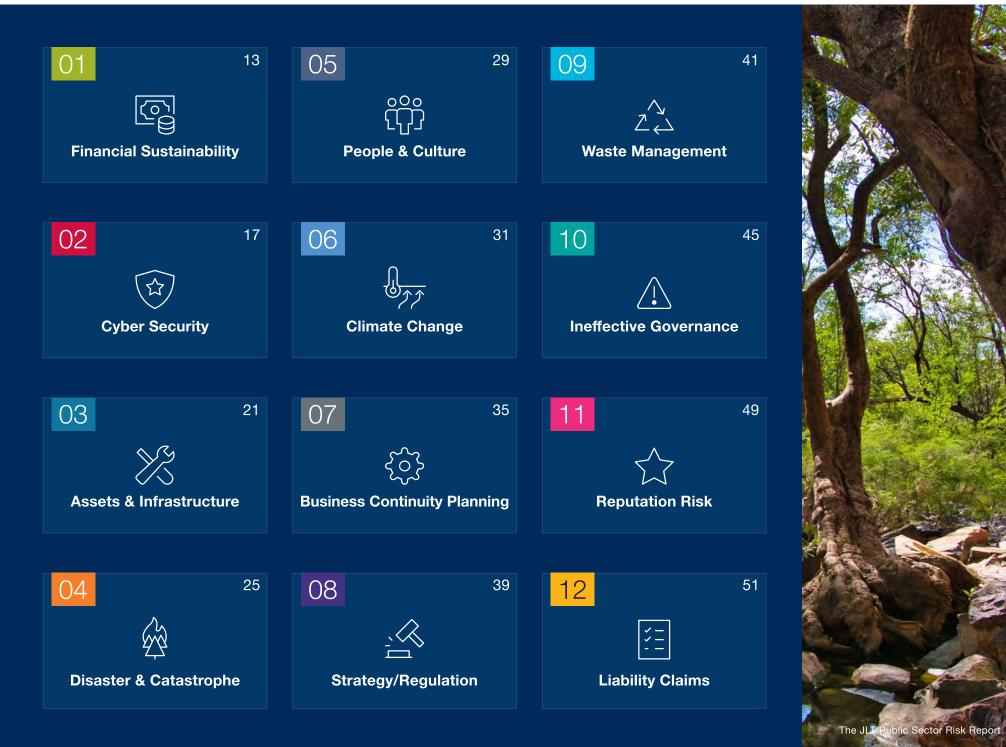
Risk Rankings 2018-2024

The ranking of the 12 risks

Impact of risks

**Outcomes of risks** 

The Key Risk Indicator **Report Methodology** 





According to the 2024 JLT Public Sector Risk survey, financial sustainability remains the foremost concern for councils. This finding indicates that while financial sustainability is still a priority, councils are facing increasing challenges in maintaining this risk amid rising costs and fluctuating revenue streams. The implications of financial sustainability extend beyond budget allocations: it directly impacts councils' ability to make better informed investment decisions in essential services, infrastructure and community programs. Further, the impact of other key risks has a cascading effect on the financial viability of councils. As financial pressures mount, councils may find it increasingly difficult to allocate resources effectively, exacerbating other risks such as managing ageing infrastructure and responding to natural disasters.

Cybersecurity and investment in IT infrastructure continue to rank in second place by 59% of respondents in 2024. This reflects a recognition of the importance of safeguarding digital assets and information systems against increasingly sophisticated cyber threats. As councils rely on technology to deliver services and engage with the community, the potential for cyber incidents poses a significant risk to operational continuity and public trust. The interconnectedness of cybersecurity with other risks, such as business continuity planning and reputation risks is stark. A "successful" cyberattack will disrupt services, likely leading to business downtime, reputational damage and financial losses; further straining councils' already limited resources.

The management of ageing property, assets and infrastructure remains in third position, with a notable increase in concern, rising from 40% of respondents ranking this position in 2023 to just under 47.5% in 2024. This trend highlights the need for councils to collaborate with other tiers of government, to address the challenges associated with maintaining and upgrading legacy and critical assets. Ageing and vulnerable infrastructure attracts increased maintenance costs, community safety threats and service disruptions, all of which can have cascading effects on financial sustainability. The challenge for local government is to have in place strategic asset management and investment plans that require a careful balance between immediate repairs and long-term, enhanced investment.

Natural hazards and catastrophic events remain a significant risk, ranked fourth by 24.75% of respondents. The unpredictability of these occurrences can make it difficult for local government to have in place disaster management planning which is able to engage with the community and be responsive to the impacts. Contributing to this key risk is the ongoing focus on climate adaptation. The relationship between natural hazards and climate change impacts is interconnected, as the increasing frequency and severity of extreme weather events may intensify the risks associated with ageing infrastructure, vulnerability and financial sustainability.

The key risk for people and culture remains in fifth position, reflecting ongoing challenges in community resilience, extending to retaining council resources. This risk is closely linked to the effectiveness of governance and the ability to implement strategic initiatives. A strong organisational culture is essential for fostering innovation and resilience, particularly in times of uncertainty. The ranking of this key risk, along with the potential for ineffective governance, reflects challenges for CEOs in implementing protections to enable effective management of elected member and staff behavioural matters.

Statutory and Regulatory requirements, Reputation Risks, and Ineffective Governance remain lower on the risk spectrum. While these risks may appear less pressing, they are nonetheless critical to the overall functioning of councils. Non-compliance with regulations can lead to financial penalties and reputational damage, while ineffective governance can hinder decision-making and strategic planning.



The decline in the ranking of business continuity planning, which dropped one place, illustrates the fluid nature of risk prioritisation and the impact of a particular risk on councils. While effective business continuity planning is vital for ensuring that councils can maintain essential services during crises, the immediate impact of People & Culture and the impact on service delivery has overtaken the placement of Business Continuity.

As with previous years, the 2024 JLT Public Sector Risk Survey results underscore the interconnected nature of the various risks facing Australian councils. As councils continue to navigate this complex landscape, a comprehensive and integrated approach to risk management remains essential for ensuring resilience and sustainability in the face of evolving challenges. By prioritising strategic planning, community engagement, and investment in risk mitigation, councils can better position themselves to serve their communities effectively and safeguard their futures.



#### TOP RANKING OF RISK BY STATE/TERRITORY

Financial Sustainability - NSW, NT, QLD, SA, TAS Managing ageing property, assets and infrastructure - WA

# THE MOVEMENT OF RISK 2018-2024

This chart illustrates the changes in the top five risks from 2019 to 2024, emphasising the evolving nature of these risks. Notably, the top five risks have exhibited minimal movement over the past year. Climate Change has dropped out of the top five, while, for the first time, People & Culture has entered this ranking. This shift underscores the importance of having skilled personnel with a deep understanding of the community, as many risks require adequate resources to deliver services and support the community effectively. Additionally, having the necessary support for recovery and rebuilding efforts following an event is crucial. This year's top five risks highlight a strong interconnectivity among them, which remain a key focus for local government.

	2018	2019	2020	2021	2022	2023	2024
1	Financial Sustainability						
2		Cyber Security	Assets & Infrastructure	Cyber Security	Cyber Security	Cyber Security	Cyber Security
3			Disaster or Catastrophic	Asset & Infrastructure	Asset & Infrastructure	Asset & Infrastructure	Asset & Infrastructure
4		Disaster or Catastrophe	Cyber Security	Disaster or Catastrophe	Business Continuity	Climate Change	Disaster or Catastrophe
5		Climate Change			Disaster or Catastrophe	Disaster or Catastrophe	People & Culture
6	Asset & Infrastructure	Asset & Infrastructure	Business Continuity	Business Continuity	Climate Change	People & Culture	
7	Disaster or Catastrophe			Climate Change			
8	Cyber Security				People & Culture		
9			Climate Change				
10		People & Culture	People & Culture				
11	People & Culture						
12				People & Culture			

# RISK RANKINGS

	2018	2019	2020	2021	2022	2023	2024
1	Financial Sustainability						
2	Theft, fraud/ crime	Cyber Security	Assets & Infrastructure	Cyber Security	Cyber Security	Cyber Security	Cyber Security
3	Reputation	Reputation	Disaster/Catastrophic	Asset & Infrastructure	Asset & Infrastructure	Asset & Infrastructure	Asset & Infrastructure
4	Statutory/Regulatory	Natural Catastrophes	Cyber Security	Disaster/Catastrophe	Business Continuity	Climate Change	Disaster/Catastrophe
5	Environmental Mgt	Climate Change	Reputation	Reputation	Disaster/Catastrophe	Disaster/Catastrophe	People & Culture
6	Asset & Infrastructure	Asset & Infrastructure	People & Culture	Business Continuity	Climate Change	People & Culture	Climate Change
7	Natural Catastrophes	Statutory/Regulatory	People & Culture	Climate Change	Statutory/Regulatory	Business Continuity	Business Continuity
8	Cyber Security	Ineffective governance	Statutory/Regulatory	Impact of Pandemic	People & Culture*	Ineffective governance	Statutory/Regulatory
9	Business Continuity	Business Continuity	Climate Change	Statutory/Regulatory	Waste Management	Statutory/Regulatory	Waste Management
10	Ineffective governance	People & Culture*	People & Culture*	Ineffective governance	Ineffective governance	Waste Management	Ineffective governance
11	People & Culture*	Environmental Mgt	Ineffective governance	Waste Management	Reputation	Reputation	Reputation
12	Errors/omissions	Errors/omissions	Theft, fraud/ crime	People & Culture*	Impact of Pandemic	Civil Liability Claims	Civil Liability Claims
13		Theft, fraud/ crime	Errors/omissions	Civil Liability Claims			
14		Terrorism	Terrorism	Terrorism			

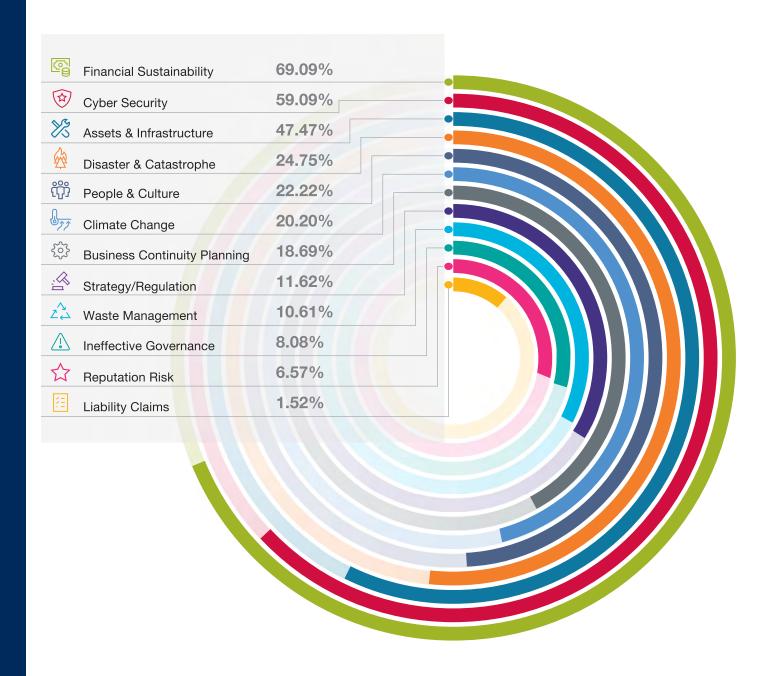
<sup>\*</sup> Previously title HR/WHS Mgt

# THE RANKING OF THE 12 RISKS

Financial Sustainability has consistently been indentified as the foremost risk for councils primarily due to the substantial influence that various other risks exert on this critical area.

Cybersecurity and the Vulnerability of IT infrastructure continues to be significant concern for councils. The swift pace of technological advancement, coupled with the constantly evolving tactics employed by cybercriminals, heightens this risk.

Additionally, the effects of Climate Change and/or adaptation challenges, and the occurrence of natural disasters contribute to the deterioration of properties, assets, and infrastructure, positioning these factors as the third leading risk for local governments.



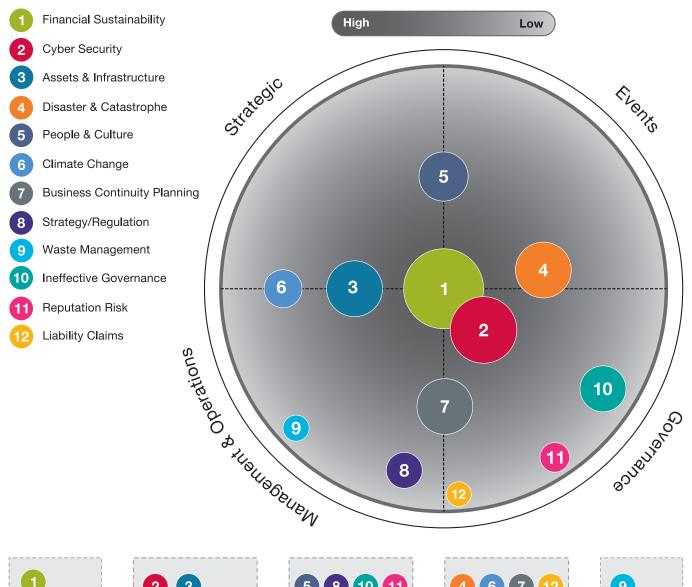
This graphic illustrates the list of risks in order of highest ranking by CEO/GMs

# IMPACT OF RISKS

# AVERAGE RANKING

This diagram illustrates the average rankings of the risks councils face and their alignment with four key business practices: strategic, events, business management/operations, and governance.

It highlights the critical importance of Financial Sustainability and Cyber Security; as well as the continued interconnected effects of these risks – especially with Assets & Infrastructure and Disasters & Catastrophes. Additionally, the diagram also emphasises the impact these risks have specifically on business management and operations and the governance of the organisation.













In 2023, the risk survey indicated that over 77% of respondents identified cost shifting from other tiers of government as a major concern. This issue reflects the pressures local governments face when higher levels of government transfer responsibilities without adequate funding, leading to financial strain. By 2024, this concern decreased to over 60%, suggesting that while cost shifting remains a significant issue, there may be a growing recognition of the need for collaborative solutions or improvements in funding arrangements with other tiers of government.

The second major concern in 2023 was insufficient rate revenue to deliver functions and services, third position ranked by over 53% of respondents. In 2024, this figure fell to third position ranked by 49.5%, indicating that while the concern remains prevalent, there is a slight improvement in the perception of rate revenue sufficiency. This shift may suggest that councils are finding ways to enhance their revenue streams or that there is a growing awareness of the importance of sustainable financial practices. However, the persistent concern about insufficient rate revenue underscores the ongoing challenges local governments face in balancing budgets and meeting community needs.

In 2023, over 49% of respondents expressed concern regarding inadequate government funding and grants. However, this issue did not feature prominently in the 2024 results, suggesting a shift in focus towards more pressing financial sustainability challenges, particularly the costs associated with infrastructure and asset management. In 2024, nearly 67% of respondents identified the cost of funding infrastructure and asset management and renewal from existing revenue sources as the primary concern. This risk links directly to the second ranked risk regarding cost-shifting as Councils face the challenge of maintaining critical assets installed by State Government and are managed under a lease arrangement.

Additionally, the adequacy of disaster recovery funding arrangements to reimburse councils for rebuilding damaged assets ranked fifth among the underlying factors contributing to this risk. By broadening the scope of the inquiry to encompass the associated costs of infrastructure and asset management, CEOs and General Managers highlighted the mounting pressure on local governments

to maintain and renew aging infrastructure while navigating tight financial constraints. This growing recognition underscores that councils are increasingly prioritising infrastructure sustainability as a vital element of their financial planning.

Overall, the comparison of the 2023 and 2024 risk survey results illustrates a nuanced understanding of financial sustainability challenges facing local governments in Australia. While cost shifting from other tiers of government and insufficient rate revenue remain significant concerns, there is a noticeable shift towards recognising the importance of infrastructure funding and asset management. This evolution in priorities indicates that local governments are increasingly aware of the need to develop sustainable financial strategies that address both immediate funding challenges and long-term infrastructure needs.

For local governments, these findings underscore the importance of proactive financial management and strategic planning. Councils are continuing to advocate for fair funding arrangements with higher levels of government while exploring innovative revenue-generating opportunities. Additionally, prioritising infrastructure investment and asset management will be crucial for ensuring the long-term sustainability of local services and community well-being. By addressing these financial sustainability challenges head-on, councils can better position themselves to meet the needs of their communities in an increasingly complex fiscal environment.

#### **Top Three Ranking Factors**



66.67%

#### **RANKED 1**

Cost of funding A&I management/renewal from existing revenue sources



60.61%

#### **RANKED 2**

Cost shifting from other tiers of government

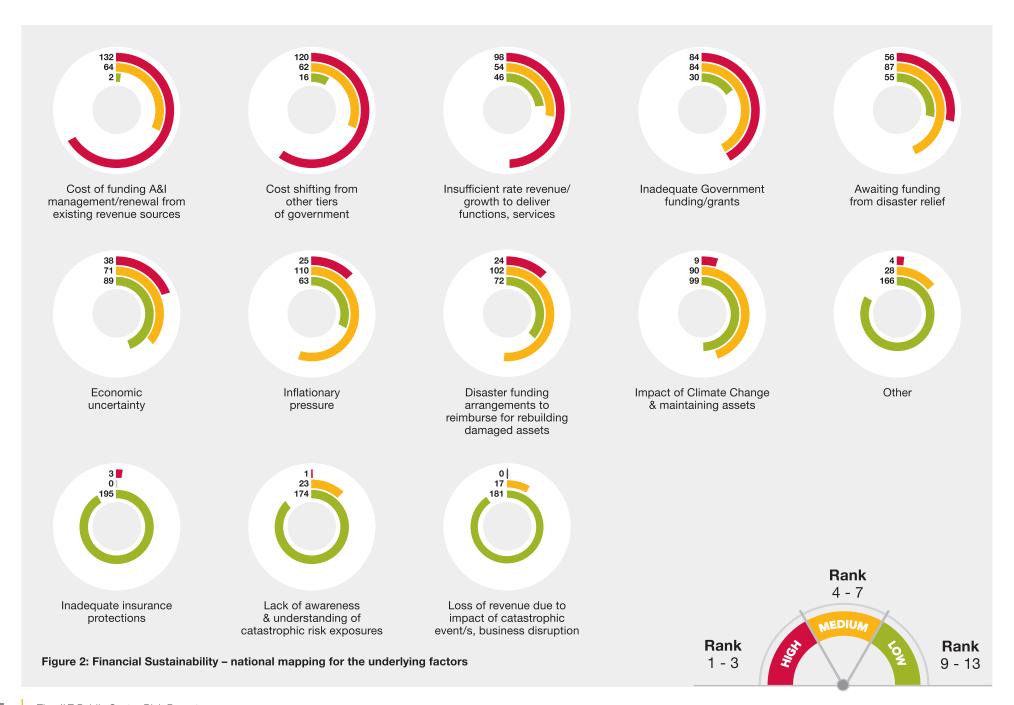


49.49%

#### **RANKED 3**

Insufficient rate revenue/ growth to deliver functions, services

Figure 3: Financial Sustainability – top three underlying factors - nationally





69%

Of respondents ranked Financial Sustainability as the leading risk they face.

Top ranking underlying factors for
Financial Sustainability by State/Territory

, , , , , , , , , , , , , , , , , , , ,				
NSW TAS WA	Cost shifting from other tiers of government			
NT QLD SA	Cost of funding infrastructure & asset management and renewal from existing revenue sources			
VIC	Insufficient rate revenue (and/or growth) to deliver functions, services			

#### (Appendix AAR 10.3A)

Top three underlying factors for Financial Sustainability risk by region nationally:

#### City

- 1. Cost shifting from other tiers of Government
- Cost of funding infrastructure & asset management and renewal from existing revenue sources
- Insufficient rate revenue (and/or growth) to deliver functions, services

#### Metropolitan

- 1. Insufficient rate revenue (and/or growth) to deliver functions, services
- 2. Cost shifting from other tiers of Government
- Cost of funding infrastructure & asset management and renewal from existing revenue sources

#### **Regional City**

- Cost of funding infrastructure & asset management and renewal from existing revenue sources
- 2. Cost shifting from other tiers of Governmen
- 3. Insufficient rate revenue (and/or growth) to deliver functions, services

#### Regional

- Cost of funding infrastructure & asset management and renewal from existing revenue sources
- Cost shifting from other tiers of Government
- 3. Insufficient rate revenue (and/or growth) to deliver functions, services

#### Remote/Rural

- Cost of funding infrastructure & asset management and renewal from existing revenue sources
- 2. Cost shifting from other tiers of Government
- 3. Inadequate Government funding/grants





The 2024 findings reveal that nearly 70% of respondents expressed that their leading concern was the ability of their IT infrastructure and providers to proactively manage cybersecurity. This indicates a strong recognition of the need for robust cybersecurity measures. Councils are increasingly aware of the growing threats posed by cybercriminals and the importance of implementing proactive strategies to prevent potential breaches. The emphasis on proactive management underscores the necessity for councils to structurally invest, where possible, in a Chief Information Security Officer (CISO) or similar role to ensure accountability for the implementation and on-going management of advanced security technologies, regular system patching, and lead comprehensive training programs for staff to mitigate risks.

Another key finding is that 68% of respondents expressed their second leading concern being their ability to respond to a cyber-attack, highlighting the critical need for effective incident response plans. While councils acknowledge the importance of proactive measures, they recognise the reality that cyber-attacks can and do occur. The ability to respond

swiftly and effectively to such incidents is crucial for minimising damage and ensuring the continuity of essential services. This finding highlights the need for councils to prioritise the development and testing their incident response plans, that should be in consultation with their outsourced incident response management company, part of the JLT Public Sector cyber risk transfer offering. In addition, ensuring that all staff are trained and aware of their specific roles in the event of a cyber-attack.

The underlying factor regarding cybersecurity failure, was ranked third by 58%, highlighting the potential consequences of inadequate cybersecurity. A failure in cybersecurity can lead to significant data breaches, loss of sensitive information, and disruption of services, which can have serious implications for the reputational risk and operational effectiveness. This finding emphasises that councils not only need to focus on prevention but broaden their understanding of the potential impacts of a cybersecurity failure and implement strategies that can help them recover quickly.

Overall, the survey data indicates that councils in Australia are increasingly aware of the potential vulnerabilities in their IT infrastructure and the critical importance of cybersecurity. To address these concerns, councils need the means to invest in both proactive measures to prevent cyber threats and effective response strategies to mitigate the impact of any potential breaches. With this support, they can enhance their resilience against cyber risks and ensure the security of their data and services.

## Top four underlying factors council identified with this Risk



**69.07**%

Ability of IT infrastructure/ provider to proactively manage cyber security



**68.18%** 

Ability to respond to a cyber attack



50.08%

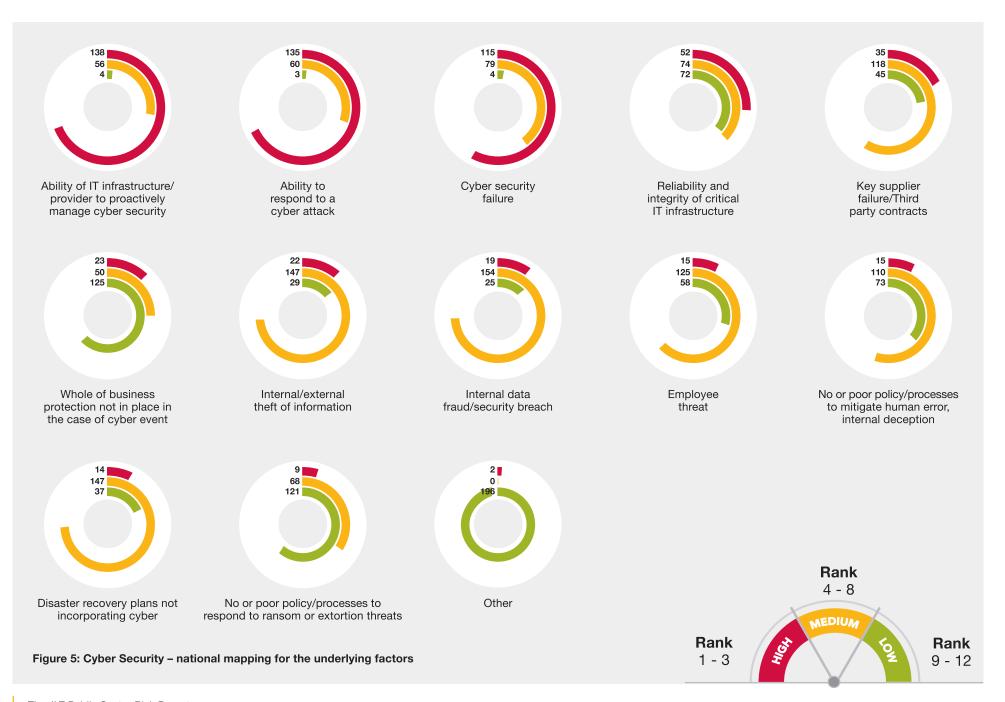
Cyber security failure



26.26%

Reliability & integrity of critical IT infrastructure

Figure 4: Cyber Security - Top four underlying factors - national rankings





**59%** 

Of respondents identified cybersecurity as the second leading risk faced by councils.

Top ranking underlying factors for Cyber Security by State/Territory			
NSW	Ability to respond to a cyber attack		
NT SA VIC WA	Ability of IT infrastructure/ provider to proactively manage cyber security		
QLD TAS	Cyber security failure		

#### (Appendix AAR 10.3A)

Top three underlying factors for Financial Sustainability risk by region nationally:

#### City

- 1. Ability to respond to a cyber attack
- 2. Ability of IT Infrastructure/provider to proactively manage cyber security
- 3. No or poor policy/processes to mitigate human error, internal deception

#### Metropolitan

- 1. Ability of IT Infrastructure/provider to proactively manage cyber security
- 2. Ability to respond to a cyber attack
- 3. Cyber security Failure

#### **Regional City**

- 1. Ability of IT Infrastructure/provider to proactively manage cyber security
- 2. Ability to respond to a cyber attack
- 3. Cyber security Failure

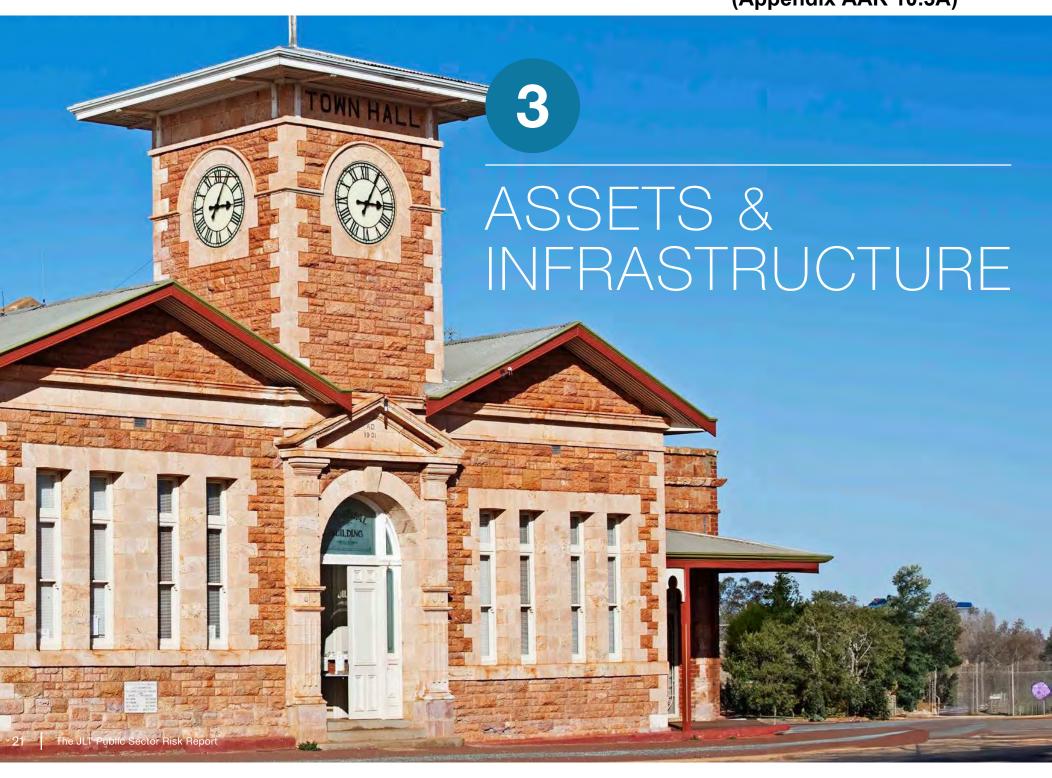
#### Regional

- 1. Ability of IT Infrastructure/provider to proactively manage cyber security
- 2. Ability to respond to a cyber attack
- 3. Cyber security Failure

#### Remote/Rural

- 1. Ability to respond to a cyber attack
- 2. Ability of IT Infrastructure/provider to proactively manage cyber security
- 3. Cyber security Failure





The effective management of their assets and infrastructure will be crucial for ensuring the sustainability and resilience of public services.

The management of assets and infrastructure remains a significant concern for councils, ranking as the third leading risk they face. This can be attributed to a combination of factors, including financial constraints, the challenges of attracting and retaining qualified personnel, severe weather events and the ongoing impact of inflation on maintenance and upgrade costs. As councils navigate these complexities, the effective management of their assets and infrastructure will be crucial for ensuring the sustainability and resilience of public services.

The survey findings for 2024 revealed significant insights regarding the management of property, infrastructure, and assets, particularly when compared to the results from 2023. The data indicates a shift in priorities and challenges that councils face, which will be critical for strategic planning and resource allocation in the coming year.

Of note, nearly 67% of 2023 respondents indicated that the capacity to finance asset and infrastructure management was the leading factor and though remaining as the leading factor, 62% of respondents ranked this position in 2024. This decline suggests that councils may be experiencing tighter financial constraints, which could hinder their ability to effectively manage and maintain essential infrastructure. The reduction in financial capacity could be attributed to various factors, including increased operational costs, community pressure to contain upward rate pressure, reduced funding from state and federal governments, and shifting budget priorities. As councils grapple with these financial limitations, they are exploring innovative funding mechanisms, such as public-private partnerships and alternative revenue streams.

The ability to attract and retain suitably qualified and experienced human resources has emerged as a pressing concern, with 33% of councils reporting this as the third leading factor for this risk this year. This ranking highlights

a significant challenge for councils, as the effective management of assets and infrastructure heavily relies on skilled, qualified and experienced personnel. The decline in workforce capacity and capability could lead to inefficiencies in project execution and maintenance, ultimatelyimpacting the quality and longevity of public assets. Councils may need to invest in workforce development initiatives, including training programs and competitive compensation packages, to attract and retain the talent necessary for effective asset management.

Inflation continues to exert pressure on councils, with close to 25% of respondents indicating that it impacts the costs associated with maintaining, upgrading, or replacing assets and infrastructure.

This figure represents a slight increase with nearly 23% of respondents ranking this third in 2023, (noting that the factor of attracting and retaining qualified and experienced human resources was introduced in the 2024 survey) suggesting that inflationary pressures are becoming more pronounced. As costs rise, councils may find it increasingly challenging to balance their budgets while ensuring that infrastructure remains safe and functional. This situation may necessitate continual evaluation of asset management strategies, prioritising essential upgrades and maintenance while deferring less critical projects.

The cost of upgrading or betterment when repairing assets has decreased to 30.3% of respondents ranking this second in 2024 from 38% in 2023, remaining in the same position. This notable decline may indicate a shift in councils' approaches to asset management, potentially reflecting a more conservative strategy focused on essential repairs rather than enhancements. It may also be indicative of relatively fewer disaster events occurring during the 2023/24 than previous periods. While this may help councils manage immediate financial pressures, councils are likely to remain concerned about the long-term sustainability and resilience of infrastructure. Without support from other tiers of government, Councils have to carefully consider the implications of prioritising repairs over upgrades, which could lead to a gradual deterioration of asset quality and increased future costs. This risk is particularly heightened in the context of increasing climate variability, which will only place further pressure on existing infrastructure systems and Council resourcing and capacity.

The top three underlying concerns CEO/GM's ranked as the leading factor for this risk.

**157** 

respondents ranked Capacity to finance asset & infrastructure management.

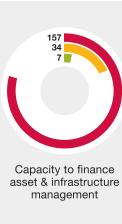
99

respondents ranked Cost of upgrading/ betterment when repairing assets.

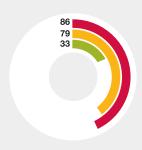
86

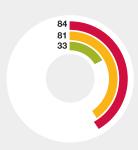
ranked Ability to adequately and appropriately insure assets/infrastructure.

The ongoing impact of inflation underscores the need for strategic planning and innovative solutions. Councils are navigating these challenges whilst working to maintain the integrity and functionality of public assets. As they move forward, support from other tiers of governments to assist with workforce development, financial support for infrastructure delivery and management and a balanced approach to repairs and upgrades will be essential for fostering resilient and sustainable infrastructure in the years to come.











Capacity to finance Cost of upgrading, sset & infrastructure betterment when management repairing assets.

Ability to attract & retain suitably qualified & experienced human resources

Inflation impact on costs to maintain/upgrade/replace assets & infrastructure

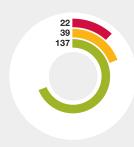
Significant increase in funding required due to limited supply chain &/ or inflation



Ability to adequately & appropriately insure assets/infrastructure



Impact of supply of resources & materials



Natural disaster/ catastrophe damage to critical infrastructure



Responsibility to maintain State Government owned assets



Other



**Rank** 1 - 3



**Rank** 9 - 12

Figure 6: Assets & Infrastructure - national mapping for the underlying factors

Top three underlying factors for the Management and/or damage to Property, Assets & Infrastructure risk by region nationally:

# City

- Capacity to finance asset & infrastructure management
- 2. Ability to adequately and appropriately insure assets/infrastructure
- 3. Ability to attact and retrain suitably qualified and experience human resources

# Metropolitan

- Capacity to finance asset & infrastructure management
- Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
- 3. Cost of upgrading/betterment when repairing assets

#### **Regional City**

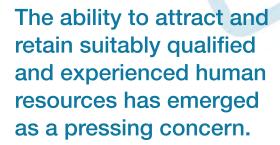
- 1. Capacity to finance asset & infrastructure management
- 2. Cost of upgrading/betterment when repairing assets
- 3. Ability to attact and retrain suitably qualified and experience human resources

# Regional

- 1. Capacity to finance asset & infrastructure management
- 2. Cost of upgrading/betterment when repairing assets
- 3. Ability to attact and retrain suitably qualified and experience human resources

#### Remote/Rural

- Capacity to finance asset & infrastructure management
- 2. Ability to attact and retrain suitably qualified and experience human resources
- 3. Cost of upgrading/betterment when repairing assets



Top ranking underlying factors for managing ageing property, assets and infrastructureby State/Territory

Capacity to finance asset and

NSW NT QLD SA TAS VIC WA

IT infrastructure management
QLD
SA







Insights from the JLT Public Sector Risk Survey concerning disasters and catastrophic events, both natural and man-made, highlight considerable implications for local government in Australia, placing the risk disaster and catastrophe as the fifth highest concern overall.

In 2023, a striking 86.67% of respondents identified bushfires, floods, cyclones, storms, droughts, earthquakes, and terrorism as the leading underlying hazard for this risk. These events can seriously threaten public health and safety, infrastructure, and community well-being, leading many local governments to focus on preparing for and responding to a potential disaster. In 2024, this concern remained the leading factor although by slightly less than in 2023, by 82.32% of respondents, suggesting that councils may be making some progress in their preparation efforts. This progress could be attributed to enhancements in emergency management planning frameworks to guide prevention, response, and recovery and organisational capacity and capability. However, the high percentage is also indicative that the underlying risk remains a significant concern for councils.

The second-ranking concern in 2024, identified by 50% of respondents, relates to the unpredictability, uncertainty, and severity of extreme events which moved up from fourth position in 2023. The inherent unpredictability of these events necessitates flexible planning and response strategies that can adapt to changing circumstances.

This outcome could relates to the emergence of climate change as a significant driver of the unpredictability of disasters and catastrophic events which was identified as the third leading factor in 2024 by 47% of respondents.

The increasing recognition of climate change's long-term implications such as unpredictability, suggests that councils are not only addressing immediate threats but are also taking proactive measures to mitigate underlying factors contributing to disaster risk. This includes developing comprehensive climate action plans that encompass both mitigation strategies aimed at reducing greenhouse gas emissions and adaptation strategies designed to prepare for the impacts of climate change on the frequency and severity of disasters.

A positive in the results of the 2024 survey was that community awareness of councils' emergency response plans, dropped significantly to sixth place in 2024 when compared to the 2023 survey. This may indicate that councils are improving community awareness about disaster hazards, risk and preparation planning through effective engagement and engagement. Effective disaster preparedness relies heavily on informed and engaged communities, and local governments are recognising the importance of fostering this awareness to build resilience.

Overall, the comparison of survey data from 2023 to 2024 is indicative of incremental changes in the disaster risk profile and priorities of councils. While immediate threats from natural hazards remain a top concern, there is a clear shift towards recognising the complexities introduced by climate change. Councils are increasingly adopting flexible and adaptive planning approaches, prioritising disaster preparedness, and taking proactive measures to address long-term impacts.

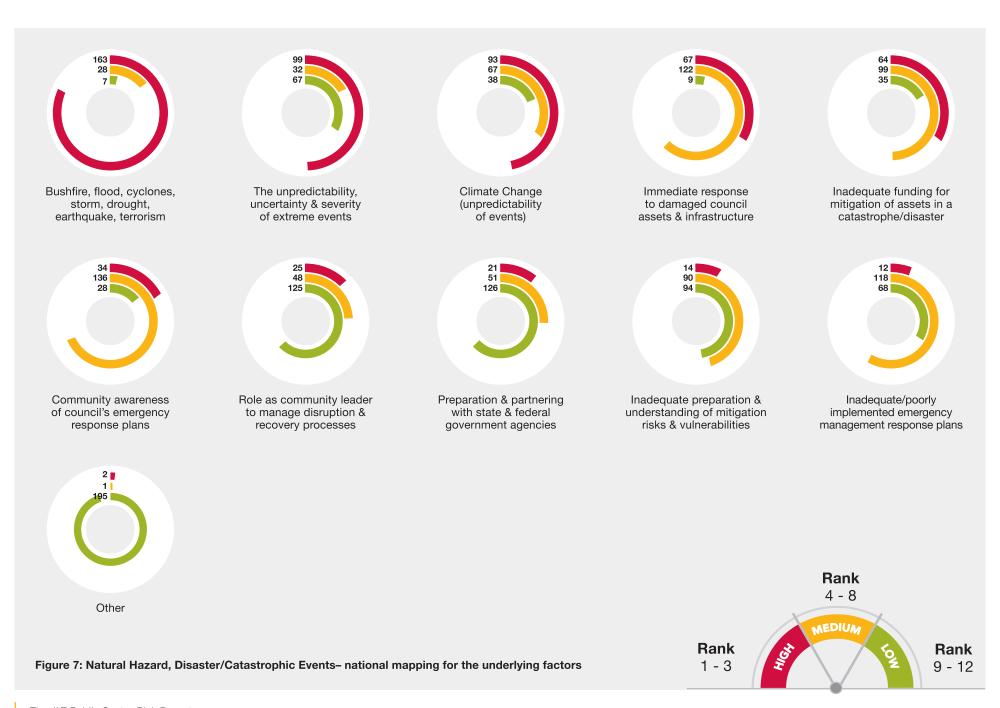
This ongoing commitment to improving disaster management strategies reflects a growing understanding of the interconnectedness of immediate threats and long-term environmental challenges. It's a little spare ain't it... here are some figures - I've chosen top three but you might just go with two.

67.68%

Bushfire, flood, cyclones, storm, drought, earthquake, terrorism as the leading underlying factor.

50%

ranked the unpredictability, uncertainty and severity of extreme events as the second leading underlying factor.



46.97%

of respondents ranked Climate Change (unpredictability of events) as the third underlying factor.

82.32%

of respondents ranked bushfire, flood, cyclones, storm, drought, earthquake, terrorism as the number one concern for this risk.

Top ranking underlying factors for or disaster/catastrophic event natural or man-made risk by State/Territory

NSW NT QLD TAS VIC WA

Bushfire, flood, cyclones, storm, drought, earthquake, terrorism

Top three underlying factors for Financial Sustainability risk by region nationally:

# City

- 1. Bushfire, Flood, Cyclones, Storm, Dought, Earthquake, Terrorism
- 2. Climate change (unpredictability of events)
- 3. Immediate response to damaged council assets & infrastructure

# Metropolitan

- 1. Climate change (unpredictability of events)
- 2. Bushfire, Flood, Cyclones, Storm, Dought, Earthquake, Terrorism
- The unpredictability, uncertainty and severity of extreme events

# **Regional City**

- 1. Bushfire, Flood, Cyclones, Storm, Dought, Earthquake, Terrorism
- 2. The unpredictability, uncertainty and severity of extreme events
- 3. Climate change (unpredictability of events)

# Regional

- 1. Bushfire, Flood, Cyclones, Storm, Dought, Earthquake, Terrorism
- 2. Climate change (unpredictability of events)
- 3. Inadequate funding available for mitigation of assets in a castrophe/disaster

- 1. Bushfire, Flood, Cyclones, Storm, Dought, Earthquake, Terrorism
- 2. The unpredictability, uncertainty and severity of extreme events
- 3. Climate change (unpredictability of events)



# EOPLE & CULTURE ic Sector Ris

# (Appendix AAR 10.3A)

People & Culture is at the heart of councils. It is the fabric of the organisation that interacts and connects with the community. The 2024 survey results reveal important insights into the challenges faced by local governments across Australia when it comes to its employees, particularly when compared to the findings from 2023.

In 2024, the limited capacity to attract and retain professional staff remains the leading concern, with over 65% of respondents indicating this issue. While this figure represents a slight decrease from 68% in 2023, it still underscores a persistent challenge for councils. The marginal improvement suggests that some councils may be implementing more effective recruitment and retention strategies, yet the issue remains critical, indicating that the competition for skilled professionals continues to be fierce in the public sector.

The results also show a decrease in the percentage of councils reporting inadequate employee numbers, from 56% in 2023 to 51% in 2024, remaining as the second ranking. This decline may reflect a growing awareness of workforce needs and a potential improvement in staffing levels, possibly due to better workforce planning or recruitment efforts. However, the fact that over half of the councils still report inadequate employee numbers highlights ongoing challenges in meeting staffing requirements, which can impact service delivery and operational efficiency.

Concerns regarding rapidly rising employment market costs remained in third position, but it did see a decrease from over 42% in 2023 to just over 40% in 2024. This reduction may indicate that councils are adapting to economic pressures, perhaps by adjusting budgets or refining their hiring practices. Nevertheless, the issue remains significant, suggesting that councils must continue to focus on cost management while ensuring they remain competitive in attracting talent.

The most notable change is within the area of compliance with employee health, safety, and wellbeing regulations, where concerns have dropped from 44% in 2023 to nearly 38% in 2024, but remained in fourth position. This decline may reflect improved practices and a greater emphasis on employee wellbeing within councils. It suggests that councils are becoming more proactive in ensuring compliance and prioritising the health and safety of their workforce, which is crucial for fostering a positive work environment People & Culture is at the heart of councils. It is the fabric of the organisation that interacts and connects with the community.

Overall, the 2024 survey results indicate a mixed landscape for human resources in Australian councils. While there are signs of

improvement in some areas, such as compliance with health and safety regulations and a slight reduction in inadequate employee numbers, significant challenges remain, particularly in attracting and retaining professional staff. The ongoing issues highlight the need for councils to invest in strategic initiatives that enhance their appeal as employers, improve workforce

planning, and address the rising costs associated with employment. As councils navigate these challenges, a focus on employee engagement, development, and wellbeing will remain essential in building a resilient and effective workforce capable of meeting the demands of the communities they serve.



Figure 8: People & Culture - The number of CEO/GM's who ranked each factor as number one - nationall

The leading factor 'the limited capacity to attract and retain professional staff' significantly outweighs the remaining factors with a 29 points difference between it and the second leading factor, 'inadequate employee numbers,' This second factor also shows a 21 point compared to the third highest factor.

50.51% 37.88%

Of respondents ranked the underlyng factor 'Limited capacity to attract and retain professional staff' as the leading issue for the risk People and Culture.

Found the underlying factor of 'inadequate employee numbers' as the second ranking issue for this risk.

Top ranking underlying factors for People & Culture by State/Territory

**NSW** NT QLD SA TAS

WA

Limited capacity to attract and retain professional staff

Top three underlying factors for People & Culture risk by region nationally:

#### City

- 1. Compliance with employee health, safety and wellbeing regulation
- 2. Workplace safety
- 3. Managing staff productivity and performance

# Metropolitan

- 1. Workplace safety
- 2. Compliance with employee health, safety and wellbeing regulation
- 3. Limited capacity to attract and retain professional staff

# **Regional City**

- 1. Limited capacity to attract and retain professional staff
- 2. Inadequate employee numbers
- 3. Workplace safety

#### Regional

- 1. Limited capacity to attract and retain professional staff
- 2. Inadequate employee numbers
- 3. Rapidly rising employment market costs

- 1. Limited capacity to attract and retain professional staff
- 2. Inadequate employee numbers
- 3. Rapidly rising employment market costs





In the latest JLT Public Sector Risk Survey, CEOs and GMs ranked Climate Change as the sixth risk, a decline of two positions from the previous survey in 2023. Though moving down two places, this highlights the ongoing challenges that councils in Australia face in proactively addressing climate change, and their capacity to effectively mitigate and adapt.

The most pressing concern, ranked by 52% of respondents, is the insufficiency of available revenue that is required to adequately fund necessary climate adaptation measures, moving from second position in 2023. This finding indicates that many councils will struggle to implement the strategies necessary to cope with both the predicted and unknown impacts of climate change. Without the appropriate investment in funding by state and federal governments, councils may find it challenging to invest infrastructure improvements, community resilience initiatives, and other essential adaptation measures.

The second major issue, ranked by 36% of respondents, pertains to the assessment of predicted climate change impacts on council operations and functions, moving from the leading position in 2023. While councils recognise the importance of understanding how climate change will affect their operations, these results identify that there appears to be a lack of integrated and comprehensive assessments and tools to evaluate these impacts effectively. This gap can hinder proactive planning and decision-making, making it difficult for councils to prepare, plan and respond to the projected impacts of climate change on their services and communities.

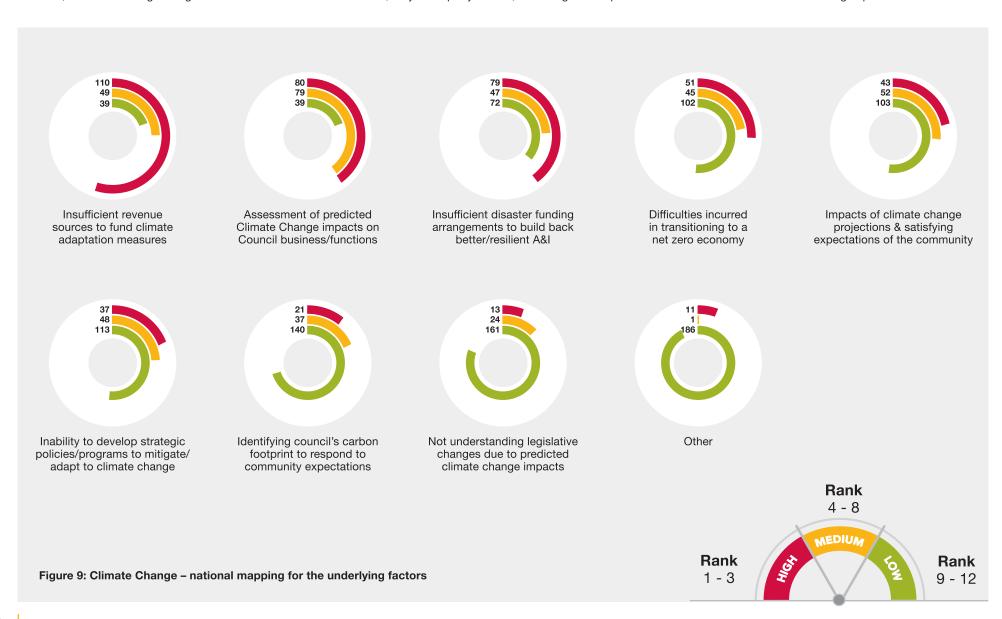
Concern regarding the adequacy of disaster recovery funding arrangements was also identified as a major concern by 36% of respondents ranking this factor equal second. Councils are expressing the need for better funding mechanisms to rebuild infrastructure and assets that are not only restored but are capable of withstanding future climate scenarios. This indicates a desire for a shift towards more resilient infrastructure that can endure the increasing frequency and severity of climate-related events, such as floods, storms, bushfires and heatwaves.

Remaining in fourth position, 22% of respondents ranked the difficulties in transitioning to a net-zero economy as a concern. This reflects the challenges councils face in mitigating their emissions and aligning their operations and policies with broader climate goals. Transitioning to a net-zero economy requires significant changes in energy use, transportation, waste management, and other areas, which can be complex and resource-intensive. This transition is also likely to result in broader impacts for many councils and their communities due to the scale and magnitude of the technological, social and economic changes involved.

Overall, the survey data underscores the urgent need for councils in Australia to receive support from other tiers of government to address the financial constraints they face in tackling climate change. Enhanced information and resources should assist to improve their understanding of climate impacts on their local government area and their communities. This support may also help to ensure the adequacy of disaster recovery funding and navigate the complexities of transitioning to a sustainable future.

However, councils may need to consider both mitigation and adaptation strategies. Mitigation efforts, such as reducing greenhouse gas emissions, should assist to limit the severity of climate change impacts. At the same time, adaptation measures can be prioritised to enhance community resilience against the inevitable changes that are already underway. By fully understanding these challenges and the need for a dual approach, councils can better strategise their responses to climate change and work towards building more resilient organisations and communities.

It is important to note that there is a significant ranking difference between two factors identified in the survey: 'insufficient revenue sources to adequately fund required climate adaptation measures to cope with predicted impacts' and 'the assessment of predicted climate change impacts on council business functions,' which differ by 15.15 percent in the high rankings. However, when combining the high and medium scores for both factors, they are equally ranked, indicating that respondents consider each factor to be of strong importance.



Top three underlying factors for Climate Change and/or adaption risk by region nationally:

#### **Capital City**

- 1. Assessment of predicted Climate Change impacts on Council business/functions
- Insufficient revenue sources to adequately fund required climate adaptation measures to cope with predicted impacts
- 3. Identifying council's carbon footprint to respond to community expectations

# Metropolitan

- Insufficient revenue sources to adequately fund required climate adaptation measures to cope with predicted impacts
- 2. Assessment of predicted Climate Change impacts on Council business/functions
- 3. Difficulties incurred in transitioning to a net zero economy

# **Regional City**

 Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that are capable of withstanding future

- 2. Assessment of predicted Climate Change impacts on Council business/functions
- 3. Insufficient revenue sources to adequately fund required climate adaptation measures to cope with predicted impacts

#### Regional

- Insufficient revenue sources to adequately fund required climate adaptation measures to cope with predicted impacts
- 2. Assessment of predicted Climate Change impacts on Council business/functions
- 3. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that are capable of withstanding future

#### Remote/Rural

- Insufficient revenue sources to adequately fund required climate adaptation measures to cope with predicted impacts
- Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that are capable of withstanding future
- 3. Assessment of predicted Climate Change impacts on Council business/functions

# Top ranking underlying factors for Climate Change by State/Territory

NSW, NT QLD, TAS	Insufficient revenue sources to adequately fund required climate adaptation measures to cope with predicted impacts
SA	Assessment of predicted Climate Change impacts on Council business/functions
VIC WA	Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that are capable of withstanding future climate scenarios. The unpredictability, uncertainty and severity of extreme events







Business Continuity Planning has maintained its ranking as the seventh risk for councils in Australia. The 2024 JLT Public Sector Risk Survey results reveal several critical factors underpinning business continuity, emphasising the recognition among CEOs and General Managers of the profound impact disruptions can have on council operations and financial sustainability.

In 2023, nearly 75% of respondents identified the destruction of council assets and infrastructure due to natural and other disasters as a primary concern. This issue remains paramount in 2024, with 64% of respondents reiterating its critical role in shaping business continuity planning. The consistency in these findings underscores a growing awareness among council leaders of the necessity for robust disaster recovery and risk management strategies. As natural disasters are becoming more frequent and severe, councils may be compelled to adapt their resilience planning to help safeguard their assets and ensure the continuity of essential services.

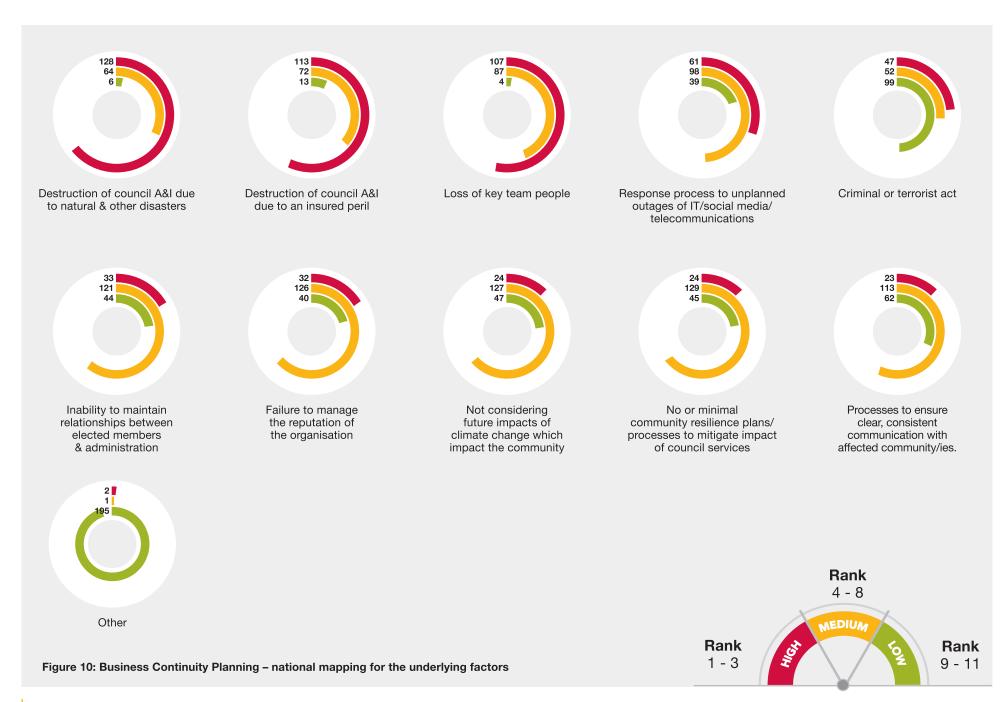
Nearly 63% of respondents expressed concern about the destruction of council assets due to insured perils, such as fire and vandalism. This concern remains relevant in the 2024 findings, as councils increasingly recognise the importance of risk assessment and insurance coverage, ranking this factor second among the factors associated with business continuity planning. This trend indicates that councils are becoming more proactive in evaluating their insurance policies and risk mitigation programs; they are likely understanding the necessity of developing plans for rapid recovery and rebuilding in the aftermath of disasters or catastrophic events to maintain operational integrity.

The loss of key team members emerged as another significant factor, with 57% of respondents ranking it second. The 2024 findings echo this sentiment, indicating that workforce stability is increasingly recognised as vital to operational effectiveness. This connection between workforce stability and overall council culture is particularly

pronounced in a competitive employment market. The challenge of retaining staff often leads to frustrations in implementing effective succession planning and knowledge transfer strategies. Acknowledging this factor demonstrates that councils understand the detrimental impact of losing team members on operational effectiveness.

There has been a notable increase in the number of CEOs and General Managers identifying IT and communication outages as a concerning factor, keeping this issue in fourth place. This shift highlights the growing concern regarding cyber risks and the necessity for councils to respond effectively to unplanned outages of IT, social media, and telecommunications. The emphasis on having contingency plans for technology failures is crucial. Councils require support from other tiers of government to invest in appropriate backup systems, alternative communication methods, and staff training to ensure they can maintain operations and communicate effectively during outages.

These findings suggest that councils in Australia are increasingly adopting a comprehensive and proactive approach to business continuity planning. This approach addresses both physical and human resource vulnerabilities while ensuring technological resilience. By prioritising these factors, councils can enhance their ability to respond to crises and maintain essential services for their communities. As the landscape of risks continues to evolve, the commitment to robust business continuity planning will likely be essential for the sustainability and effectiveness of council operations in the face of future challenges.



# Top three underlying factors for Business Continuity Planning risk by region nationally:

#### City

- 1. Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)
- 2. No or minimal community resilience plans and processes to mitigate impact of loss of/reduced council services, functions
- 3. Criminal or terrorist act

# Metropolitan

- 1. Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)
- 2. Destruction of council assets/infrastructure due to natural and other disasters (bushfire, flood, extreme storms, pandemic, drought, earthquake, act of terror etc.)
- 3. Loss of key team people

#### **Regional City**

- 1. Loss of key team people
- 2. Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)

 Destruction of council assets/infrastructure due to natural and other disasters (bushfire, flood, extreme storms, pandemic, drought, earthquake, act of terror etc.)

# Regional

- Destruction of council assets/infrastructure due to natural and other disasters (bushfire, flood, extreme storms, pandemic, drought, earthquake, act of terror etc.)
- 2. Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)
- 3. Loss of key team people

#### Remote/Rural

- Destruction of council assets/infrastructure due to natural and other disasters (bushfire, flood, extreme storms, pandemic, drought, earthquake, act of terror etc.)
- 2. Loss of key team people
- 3. Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)

# Top ranking underlying factors for Business Continuity Planning by State/Territory

NSW, NT, WA	Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)
QLD, TAS, VIC	Destruction of council assets/infrastructure due to natural and other disasters (bushfire, flood, extreme storms, pandemic, drought, earthquake, act of terror etc.)
SA	Loss of Key Team People



# 8

# STATUTORY/REGULATORY REQUIREMENTS



# (Appendix AAR 10.3A)

Statutory and regulatory obligations continue to be at the forefront of the list of issues that keep CEO's awake at night remaining in eighth position in the 2024 JLT Public Sector Risk Survey. The findings regarding the underlying factors contributing to this risk reveal significant insights when comparing the data from 2023. These insights not only highlight the evolving challenges faced by local governments but also underscore the need for strategic adjustments in their operational frameworks.

In 2024, the most pressing concern identified was access to qualified staff, with just under 70% of respondents indicating this as a critical factor. This marks a notable decline from the number of CEO's/GM's 2023, where the figure stood at 84%. This decrease in the number ranking this as the leading factor suggests that while staffing remains a significant challenge, there may be a growing capability in the sector for targeted recruitment and retention strategies within councils. The reduction in perceived severity could also indicate that councils are adapting to staffing shortages through alternative means, such as training existing employees or leveraging technology to fill gaps. However, the issue of access qualified staff extends beyond this risk and is a broader issue, particularly for regional Councils.

The second most significant factor in 2024 was changes in legislation or its application to shifting regulatory requirements, as ranked by 63% of respondents. This represents a substantial increase from 53% ranking this as a factor in 2023, indicating that councils are increasingly grappling with the complexities of evolving legal frameworks. The rise in concern over legislative changes may reflect a broader trend of regulatory reform at both state and federal levels, necessitating councils to remain agile and responsive to new requirements. This growing complexity can strain resources and highlight the need for councils to invest in legal expertise and compliance training to navigate these changes effectively.

Interestingly, the data also reveals that though remaining the third ranking factor for this risk, there was a slight decline in concern regarding the lack of local government-specific resources and systems to meet regulatory requirements, which dropped from 45% in 2023 to nearly 39% in 2024. This shift may suggest that councils are making progress in developing or investing in tools and systems to assist with complying with regulations. However, it also raises questions about whether councils are adequately addressing the specific needs of their local contexts or if they are merely adapting existing resources without fully meeting the unique challenges they face.

Lastly, the concern regarding changes to planning regulations or other functional requirements saw a significant increase from just over 14.5% in 2023 to 28% in 2024, ranking this factor in fourth position. This concern indicates that councils are becoming more aware of the implications of planning regulations on their operations. As urban development pressures increase and community expectations evolve, councils must navigate a complex landscape of planning requirements. This heightened awareness may necessitate a re-evaluation of planning processes and stakeholder engagement strategies to ensure that councils can effectively manage these changes. Changes to various State Government legislative planning frameworks and strategies may likely be increasing these concerns. In certain communities, the challenge of balancing local community expectations and State Government planning strategies becomes very difficult.

The comparison of the 2024 and 2023 data reveals a dynamic landscape for councils in Australia as they confront the challenges of meeting increased statutory and regulatory requirements. While access to qualified staff remains a critical issue, there is a notable shift in the focus towards legislative changes and planning regulations. Councils are prioritising strategic workforce development, investing in compliance capabilities, and enhancing their planning processes to effectively navigate the evolving regulatory environment. By addressing these underlying factors, councils can better position themselves to meet the demands of their communities and fulfill their statutory obligations.



Figure 11: : Statutory & Regulatory Requirements – The number of CEO/GM's who ranked each factor as number one - nationally

Top ranking underlying factors for Statutory/Regulatory Requirements by State/Territory		
NSW, VIC	Changes in legislation or its application to shifting regulatory requirements	
NT, QLD, SA, TAS, WA	Access to qualified staff	

# (Appendix AAR 10.3A)

Top three underlying factors for the inability for council to meet increased statutory and/or regulating requirementsnationally:

#### City

- 1. Access to qualified staff
- Changes in legislation or its application to shifting regulatory requirements
- Changes to planning regulations or other functional requirementse

# Metropolitan

- Changes in legislation or its application to shifting regulatory requirements
- 2. Access to qualified staff
- Changes to planning regulations or other functional requirements

# **Regional City**

- Changes in legislation or its application to shifting regulatory requirements
- 2. Access to qualified staff
- 3. Changes to planning regulations or other functional requirements

#### Regional

- 1. Access to qualified staff
- 2. Changes in legislation or its application to shifting regulatory requirements
- 3. Lack of local government-specific resources/systems to meet regulatory requirements

- 1. Access to qualified staff
- 2. Changes in legislation or its application to shifting regulatory requirements
- 3. Lack of local government-specific resources/systems to meet regulatory requirements



Waste management as a risk has moved up from 10th to 9th position from 2023 to 2024. The survey results regarding waste management for councils reveal significant shifts in perceptions and challenges faced by local governments during this period. In 2023, councils expressed a relatively low level of confidence in their ability to manage waste effectively, with just over 65% of respondents indicating this as the leading factor for this risk. This suggests that councils felt they may not be adequately resourcing resourcing management of waste, which is crucial for maintaining community health and environmental standards.

The 2024 findings indicate a decline in the number of respondents concerned with this factor, with 55.5% of respondents expressing concern with the cost and ability to manage waste effectively. Though there is nearly a 10% drop, this shows continued concerns due to rising costs, changes in regulations, or evolving community expectations. As waste management becomes more complex, councils may be struggling to manage budget constraints and operational challenges.

It is estimated that Australians produce 22Kg of e-waste per person and the prolific use of solar energy create significant hurdles for the sector in relation to the management of these waste streams. Recent estimates indicate that there have been between 10,000 and 12,000 battery-related fires in waste and recycling facilities over the past year. (ACOR/WCRA, Industry survey: Battery fires in waste & recycling, June 2024) This trend not only poses significant safety risks (e.g. hazardous materials and fire) but also adds to the operational burdens on councils, which are now expected to implement additional safety measures and training to mitigate these risks.

The ability to assess and mitigate environmental risks associated with waste disposal methods remained as the second contributing factor to this risk. However it did see a decline in the number of respondents ranking this issue, dropping from nearly 59% in 2023 to 49% in 2024. This significant decrease indicates that councils are increasingly aware of the environmental implications of their waste management practices (including legacy landfills, new waste types, stockpiling, regulatory changes (e.g. handling, monitoring and remediation of PFAS contamination) but may feel less equipped to address these challenges effectively. The decline in confidence could stem from a lack of resources, expertise, increased urban in-fill, or support in implementing

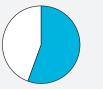
sustainable waste disposal methods (e.g. targets to reduce waste to landfill and export restrictions in the recycling chain). As environmental concerns continue to rise, councils are encouraged to prioritise developing strategies to mitigate these risks to protect public health and the environment.

Inflationary pressures on costs and overheads for waste management services have also become more pronounced, 40% ranking this factor fourth in 2023 to being ranked in second position by nearly 46.5% of respondents in 2024. This increase highlights the financial strain that councils are experiencing as they attempt to manage waste services amid rising operational costs. Inflation can significantly impact budgets, forcing councils to make difficult decisions about resource allocation and service delivery. As costs continue to rise, councils may need to explore innovative solutions or partnerships to maintain effective waste management services without overburdening their budgets.

Balancing community expectations for managing recycling and reuse operations in accordance with regulations has also seen a decline in rankings, dropping from nearly 43% in 2023 to just over 38% in 2024.

This decrease suggests that council are still facing challenges in meeting community expectations regarding recycling and reuse, which are increasingly important to residents, but not as concerning as other factors. Data produced by the Productivity Commission show around 10-13% growth in waste recovered for recycling, reuse or energy. The growing emphasis on sustainability and environmental responsibility means that councils are encouraged to find ways to enhance their recycling programs while adhering to regulatory requirements.

The perecentage of CEO/GMs ranking each factor as a high concern



**55.56**%

Cost & ability to effectively manage waste relevant to your Council area



48.99%

Ability to assess/mitigate risks/impacts of waste disposal



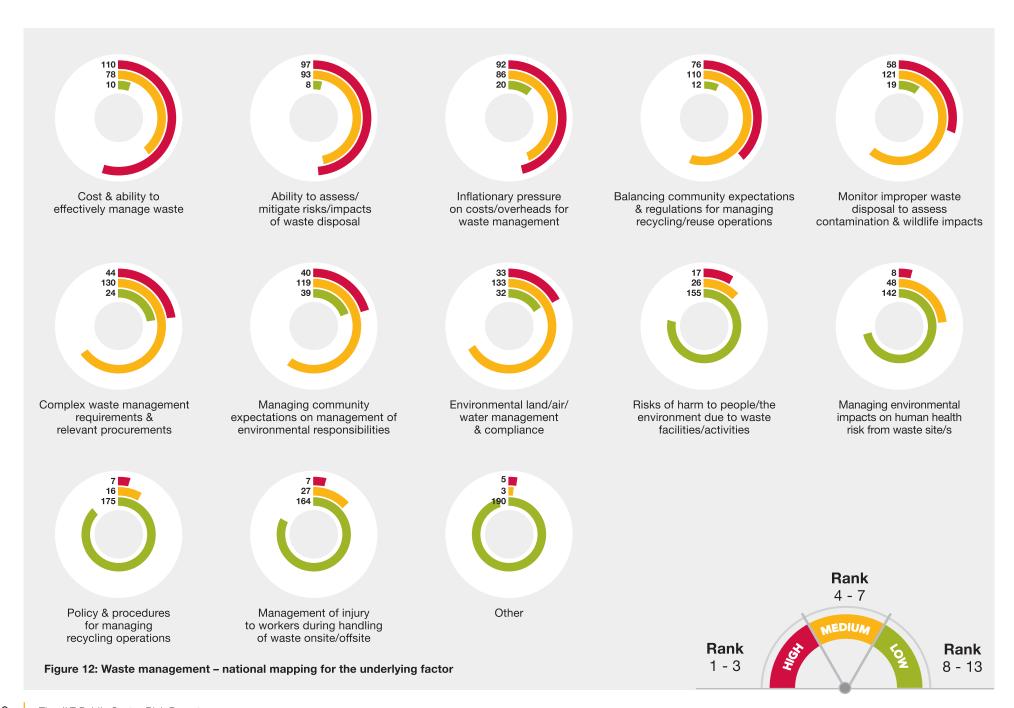
46.46%

Inflationary pressure on costs & overheads for waste management services

Figure 13: Waste Management - Top three underlying factors - nationally

Failure to meet these expectations could lead to community dissatisfaction and a loss of trust in local government.

In March 2025, the Productivity Commission released its interim report, "Australia's Circular Economy: Unlocking the Opportunities." The report highlights that Australia's progress toward a circular economy is slow, hindered by complex and inconsistent regulations. It emphasises that growing the circular economy can enhance economic growth and productivity, leading to a more efficient life cycle.



In March 2025, the Productivity Commission released its interim report, "Australia's Circular Economy: Unlocking the Opportunities." The report highlights that Australia's progress toward a circular economy is slow, hindered by complex and inconsistent regulations. It emphasises that growing the circular economy can enhance economic growth and productivity, leading to a more efficient life cycle. For councils, this means adopting international best practices to create a harmonised waste management framework that minimises waste and maximises resource efficiency. Whilst the report advocated for the long-term opportunities and benefits of the transition, in the short term councils are expected to face increase cost, risk and uncertainty.

For councils, these findings underscore the need to continually reassess their waste management strategies, practices and controls. Prioritising transparency and communication with the community to address concerns and expectations is to continue to help achieve goals. Additionally, councils should continue to explore innovative approaches to waste management, such as investing in or having providers with new technologies, enhancing recycling programs, converting waste to energy, and collaborating with other local governments or organisations to share resources and expertise. By proactively addressing these challenges, councils can work towards improving their waste management practices, ultimately fostering a more sustainable and resilient community.

Top ranking underlying	factors for	Waste	Managen	nent by
State/Territory				

NSW, QLD VIC	Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
NT	Balancing community expectations for managing recycling/reuse operations in accord with regulations
SA, WA	Cost and ability to effectively manage waste relevant to your Council area
TAS	Inflationary pressure on costs and overheads for waste management services

# (Appendix AAR 10.3A)

## Top three underlying factors for the waste management risk nationally:

#### City

- 1. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
- 2. Ability to monitor improper waste disposal to measure contamination, greenhouse gas missions, habitat loss and health impacts for wildlife
- 3. Complex and competitive market conditions for waste collection, disposal, recycling and re-use Procurement processes relevant to all aspects of contract arrangements

#### Metropolitan

- 1. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
- Balancing community expectations for managing recycling/reuse operations in accord with regulations
- 3. Inflationary pressure on costs and overheads for waste management services

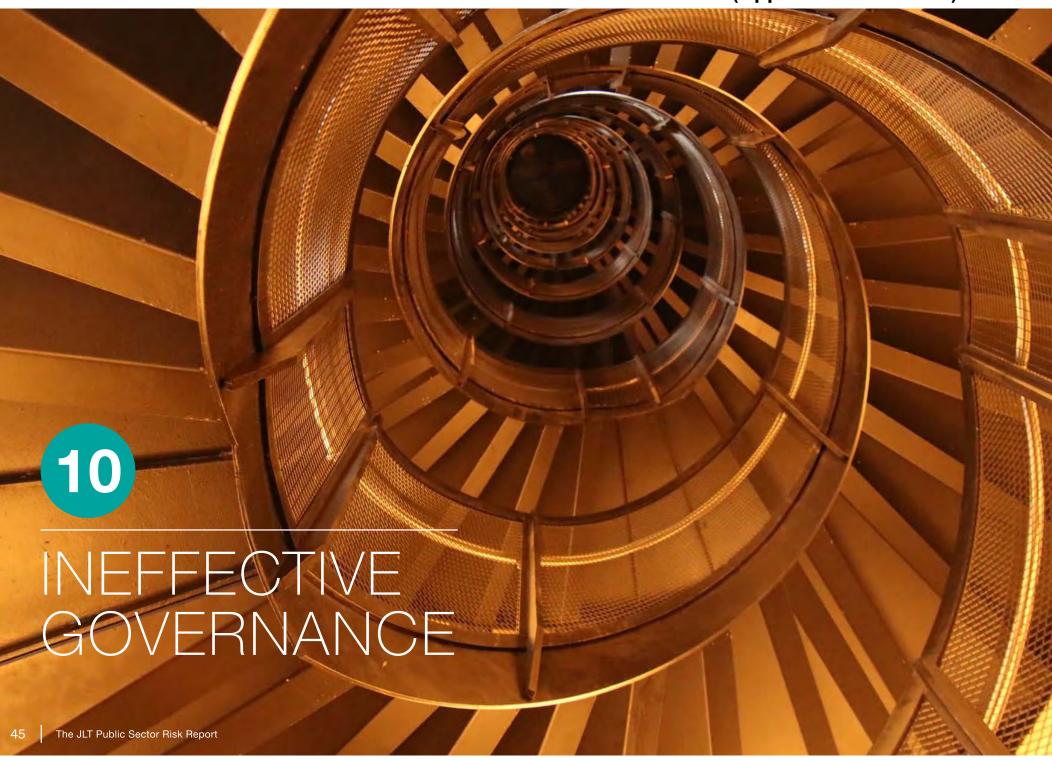
# **Regional City**

- 1. Cost and ability to effectively manage waste relevant to your Council area
- 2. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
- 3. Inflationary pressure on costs and overheads for waste management services

#### Regional

- 1. Cost and ability to effectively manage waste relevant to your Council area
- 2. Inflationary pressure on costs and overheads for waste management services
- 3. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods

- 1. Cost and ability to effectively manage waste relevant to your Council area
- 2. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
- 3. Inflationary pressure on costs and overheads for waste management services



Ineffective governance has shifted from ninth to tenth position in the rankings. The findings relating to the underlying factors contributing to this risk in Australian councils reveal trends when comparing the survey data from 2023 to 2024. These insights highlight the evolving challenges that councils encounter and emphasise the necessity for continuous focus on enhancing governance practices. This finding may also be attributed to legislative changes implemented in recent years that have mandated councils to establish processes that align with principles of good governance and transparency.

In 2024, the adequacy of financial controls was reported by 57% of respondents as as the leading concern, reflecting a slight decrease from 58.5% in 2023. This marginal decline suggests that while financial controls remain a critical area of focus, councils may be making incremental improvements in their financial management practices. However, the persistent concern indicates that councils must continue to strengthen their financial oversight mechanisms to ensure transparency and accountability in their operations. The slight reduction in concern may also imply that councils are becoming more adept at managing their financial resources, yet the need for vigilance remains paramount.

The challenges associated with managing code of conduct and behavioural issues remained as the second highest ranked factor, as reported by just under 45% of respondents in 2024, down from 48% in 2023. This decrease suggests a potential improvement in the management of ethical standards and conduct within councils. However, the fact that nearly 45% of respondents still view this as a significant challenge indicates that councils must remain proactive in addressing behavioural issues and fostering a culture of integrity. The decline in concern may reflect the implementation of more effective training and awareness programs, but it also highlights the ongoing need for councils to reinforce their commitment to ethical governance.

Human resource numbers rose to the third highest concern from fourth as ranked by just under 41% of respondents in 2024.

This shift suggests that councils may be continuing to find it challenging to better manage their human resources, even with improved recruitment strategies or workforce planning.

The fact that this remains a significant issue indicates that councils still face challenges in ensuring they have adequate staffing levels to meet their operational needs. As councils continue to navigate workforce shortages and changing demands, it will be essential for them to develop comprehensive human resource strategies that address both current and future needs.

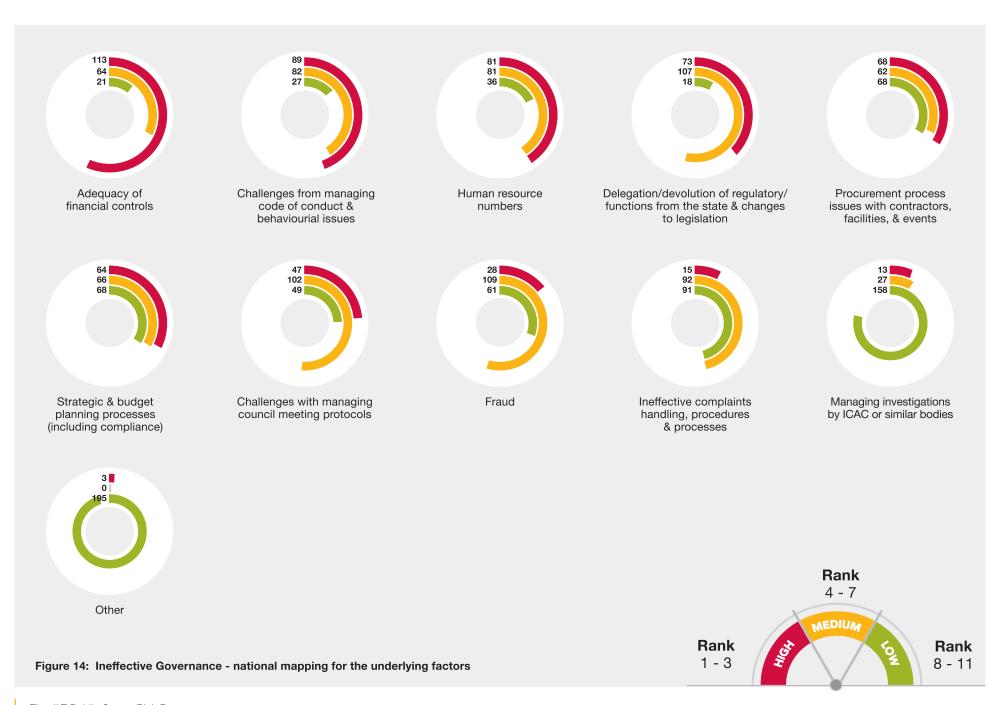
The concern regarding the delegation or devolution of regulatory or other functions from the state, along with changes to legislation, saw a notable decline from over 42% in 2023 ranking this third, to nearly 37% ranking it fourth in 2024. This decrease may suggest that councils are becoming more comfortable with the regulatory environment and are adapting to changes in legislation more effectively. It could also indicate that councils are successfully managing the implications of devolved functions, allowing them to focus on their core responsibilities. However, the reduction in concern does not eliminate the need for councils to remain vigilant and responsive to ongoing legislative changes, as these can significantly impact their governance frameworks.

It also highlights the ongoing need for Councils to collaborate and continue to advocate with stakeholders such as their respective State Governments to address the impact that these regulatory changes have on Council operations, financial sustainability, and community impact.

The comparison of the 2023 and 2024 survey data reveals a nuanced picture of the risks associated with ineffective governance in Australian councils. While there are signs of improvement in certain areas, such as the management of financial controls and human resources, significant challenges remain.

These improvements in some cases are slight and make it difficult to draw any significant causative conclusions. Councils must continue to prioritise ethical governance, effective financial management, and adequate staffing to navigate the complexities of their operational environments. By addressing these underlying factors, councils can enhance their governance practices and better serve their communities, ensuring they meet the expectations of transparency, accountability, and responsiveness in an ever-evolving landscape.





# **Top ranking underlying factors for Ineffective Governance by State/Territory**

NSW	Delegation or devolution of regulatory or other functions from the state and changes to legislation
NT	Strategic and budget planning processes (including compliance)
QLD	Adequacy Financial Contrls
SA TAS	Human Resource Numbers
VIC WA	Challenges from managing Code of Conduct and Behavioural Issues

# (Appendix AAR 10.3A)

Top three underlying factors for Ineffective Governance risk by region nationally:

# City

- Challenges from managing code of conduct and behaviourial issues
- 2. Challenges with managing council meeting protocols
- 3. Fraud

# Metropolitan

- 1. Adequacy of financial controls
- 2. Procurement process issues with contractors, facilities, and events
- 3. Challenges from managing code of conduct and behaviourial issues

# **Regional City**

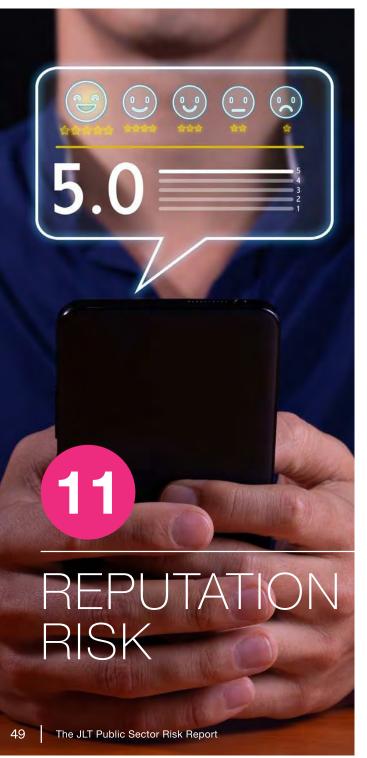
- 1. Challenges from managing code of conduct and behaviourial issues
- 2. Adequacy of financial controls
- 3. Human resource numbers

# Regional

- 1. Adequacy of financial controls
- 2. Challenges from managing code of conduct and behaviourial issues
- Delegation or devolution of regulatory or other functions from the state and changes to legislation

- 1. Adequacy of financial controls
- 2. Human resource numbers
- 3. Delegation or devolution of regulatory or other functions from the state and changes to legislation





In 2024, CEOs and General Managers ranked council reputation 11th, moving up one point from the previous year. Though ranking 11th, the findings with respect to the underlying drivers of this risk suggest that is one that can have potentially outsized consequences.

The survey results regarding councils' reputation as a local government and within the community reveal significant shifts in perception from 2023 to 2024. In 2023, councils viewed themselves relatively negatively, with nearly 67% of respondents ranking their leading concern as their ability to administer governance effectively. This was followed by Loss of Community Trust in Council (Elected Members) with 38.8% of respondents ranking this the second leading factor, indicating that while trust issues existed, they were a significant concern for most respondents.

In 2024 the loss of community trust in elected members moved being to the leading factor for this risk with 56% of respondents ranking it such; marking a significant increase in discontent from 2023. This shift suggests that recent events, decisions, or a perceived lack of engagement from elected officials have eroded public confidence. The decline in councils' perceived ability to administer governance effectively, was ranked the second leading factor by 54% of respondents in 2024, dropping from 57% ranking it in first place in 2023. Indicates that community expectations are not being met, leading to continued scepticism about councils' effectiveness in managing their responsibilities.

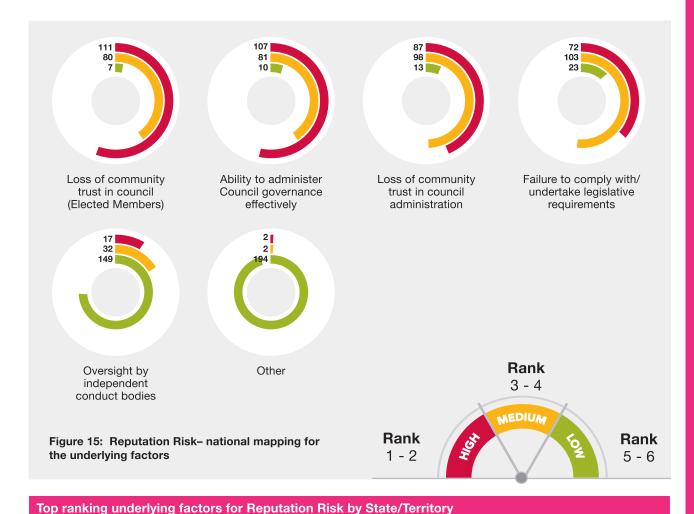
The survey results regarding the loss of community trust in council administration reveal a concerning trend in public perception from 2023 to 2024. In 2023, the loss of trust in council administration was ranked fourth indicating that while there were some concerns about the administration's effectiveness and reliability, a significant portion of the community still held a degree of confidence in the council's operational capabilities. However, the 2024 findings show a marked increase in this metric, with the loss of community trust in council administration rising to being the third leading factor. This significant increase signifies concerns of growing discontent among residents regarding how the council is managed and operated.

The survey results regarding the failure to comply with or undertake legislative requirements show that councils see a notable shift from 2023 to 2024. In 2023, the concern regarding the council's compliance with legislative obligations was ranked third by just over 30% of respondents. This high percentage indicated that a significant portion of the community was apprehensive about the council's adherence to legal and regulatory standards, reflecting a broader sentiment of distrust and concern about governance practices. Such apprehension may have stemmed from past incidents, perceived inefficiencies, or a lack of transparency in how the council operated.

In contrast, the 2024 findings reveal a decrease in this concern, dropping to fourth position as ranked by just over 36%. This decline suggests that the community's perception of councils' compliance with legislative requirements has improved over the year. This shift could indicate that councils have taken steps to address previous shortcomings, enhance governance practices, or improve communication regarding adherence to legal obligations. The reduction in concern may also reflect a growing awareness among community members of councils' efforts to be more transparent and accountable in their operations.

Comparing the findings from 2023 to 2024 reveals a concerning trend for councils. The increase in distrust towards elected members and the decline in perceived governance effectiveness signal a growing disconnect between councils and the communities they serve. Councils must recognise that these perceptions can lead to decreased community engagement, lower participation in local governance, and potential challenges in implementing future initiatives.

To address these issues, councils need to prioritise rebuilding trust with the community. This could involve enhancing transparency, improving communication strategies, and actively engaging residents in decision-making processes. By fostering a more inclusive environment where community members feel heard and valued, councils can work towards restoring confidence. Additionally, they should evaluate governance practices and operational procedures to identify areas for improvement. Ensuring compliance with legislative requirements and demonstrating accountability will be crucial in regaining public trust.



Ability to administer council governance effectively

Loss of community trust in council administration

Loss of community trust in council administration (Elected Members)

NSW, TAS, WA

NT, QLD

SA, VIC

# (Appendix AAR 10.3A)

# Top three underlying factors for the reputation risk nationally:

# City

- 1. Ability to administer Council governance effectively
- 2. Failure to comply with/undertake legislative requirements
- 3. Loss of community trust in council administration

# Metropolitan

- 1. Loss of community trust in council (Elected Members)
- 2. Balancing community expectations for managing recycling/reuse operations in accord with regulations
- 3. Loss of community trust in council administration

#### **Regional City**

- 1. Loss of community trust in council (Elected Members)
- 2. Loss of community trust in council administration
- 3. Failure to comply with/undertake legislative requirements

#### Regional

- 1. Cost and ability to effectively manage waste relevant to your Council area
- Inflationary pressure on costs and overheads for waste management services
- 3. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods

- 1. Ability to administer Council governance effectively
- 2. Failure to comply with/undertake legislative requirements
- 3. Loss of community trust in council (Elected Members)





The findings from the 2024 JLT Public Sector Risk Survey regarding the risk of negligence causing civil liability claims against councils in Australia indicated a shift in the perceptions of survey participants and their priorities compared to the previous year. In 2023, this risk was ranked second last, but it has now fallen to the last position in 2024. This change suggests that councils may be increasingly confident in their risk management practices and their ability to mitigate potential negligence claims, although it also raises questions about the underlying factors contributing to this perception.

The leading underlying factor to this risk is council's ability to apply policy and implement procedures in accordance with the strategic plan has also seen a slight increase in respondence ranking it, from 64% in 2023 to just under 68% in 2024. This increase may represent the continued challenges councils are facing in aligning their operational practices with strategic objectives, which could lead to inconsistencies in risk management efforts. Councils are continually looking for effective implementation of policies for mitigating risks and constantly reassess their strategies to help ensure that they are effectively translating their plans into actionable procedures.

The ability to discharge a reasonable duty of care to the public, which is crucial in preventing injury and loss claims due to negligence, was the second leading factor for this risk by nearly 71% of respondents in 2024 an increase from the 68% in 2023. This suggests that councils may have to address financial pressures and may not have enough resources which can hinder their ability to prevent foreseeable loss. Councils' risk exposure to negligence claims, though ranked last against other areas surveyed, is still a concern to councils who are continually prioritising public safety to help ensure that their practices align with legal and ethical standards to minimise the risk of civil liability claims.

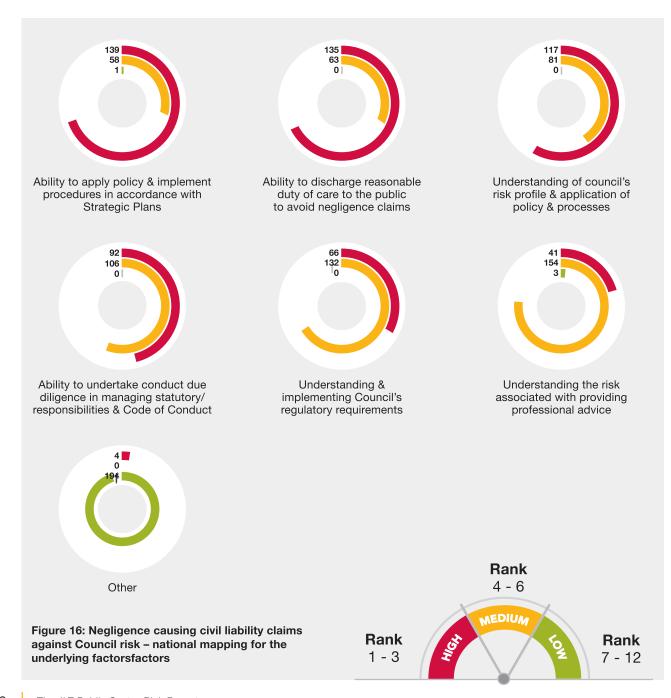
In 2024, 57% of respondents acknowledged that their understanding of councils' risk profiles and the application of risk management policies and processes was the third highest underlying factor for this risk. This figure reflects a slight decrease from 59% in 2023, indicating that while councils are still engaged in risk management, there may be challenges in fully addressing their risks. Councils are facing new and evolving risks and understanding risk profiles is critical to having reasonable procedures in

place to address potential liabilities, which is critical for preventing negligence claims. Councils are constantly looking for ways to enhance their training and ommunication efforts to ensure that all staff members are well-versed in risk management policies and the specific risks associated with their operations.

Overall, the findings for 2024 indicate a complex landscape for councils regarding negligence and civil liability claims. While there is a growing confidence in the ability to manage risks and uphold a duty of care, the slight declines in understanding risk profiles and policy implementation suggest that councils must remain vigilant. Continuous improvement in risk management practices, staff training, and community engagement will be essential for councils to navigate the challenges of negligence claims effectively. As they move forward, a proactive approach to risk management will not only help mitigate potential liabilities but is also likely to enhance public trust and confidence in local government.

# Top ranking underlying factors for the negligence causing civil liability claims against Councilrisk by State/Territory

NSW, NT, QLD, SA, TAS	Ability to apply policy and implement procedures in accordance with the Strategic Plan
VIC	Understanding of council's risk profile and application of the risk management policy and processes
WA	Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss



Top three underlying factors for the negligence causing civil liability claims against Council risk nationally:

#### City

- 1. Ability to apply policy and implement procedures in accordance with the Strategic Plan
- 2. Understanding of council's risk profile and application of the risk management policy and processes
- 3. Understanding the risk associated with providing professional advice

#### Metropolitan

- 1. Ability to apply policy and implement procedures in accordance with the Strategic Plan
- 2. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
- 3. Understanding of council's risk profile and application of the risk management policy and processes

#### Regional City

- Ability to apply policy and implement procedures in accordance with the Strategic Plan
- 2. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
- 3. Understanding of council's risk profile and application of the risk management policy and processes

#### Regional

- 1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
- 2. Ability to apply policy and implement procedures in accordance with the Strategic Plan
- Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of Code of Conduct

- 1. Ability to apply policy and implement procedures in accordance with the Strategic Plan
- 2. Understanding of council's risk profile and application of the risk management policy and processes
- 3. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss



Investment in community assets remained in second placing with a marginal decrease from just under 51% of respondents placing it in 2023 to 50% in 2024, indicating a continued but slightly diminished emphasis on this area. This stability suggests that investment remains a priority, and that overall sentiment remains largely unchanged.

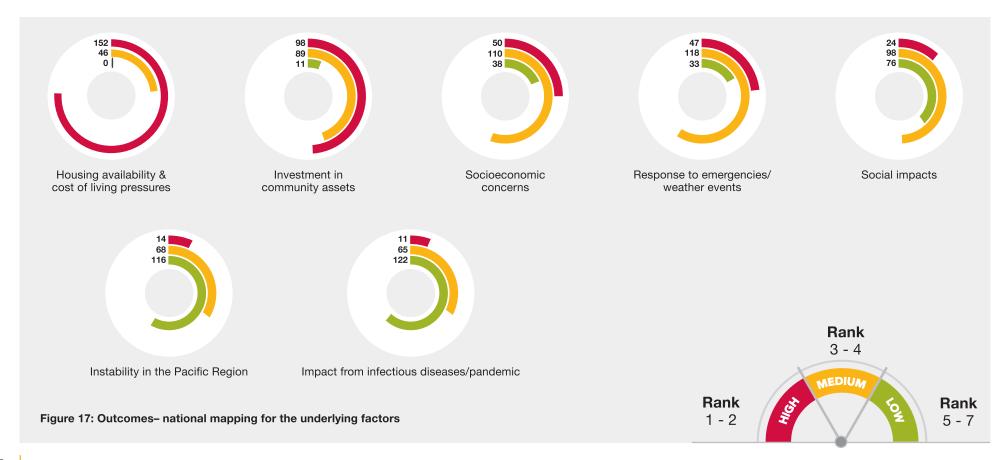
The response to emergencies and weather events moved from third position in 2023 to fourth in 2024. This change may reflect the growing awareness of the impact of extreme weather events and associated risks councils and their community's face and their growing recognition of the need to enhance preparedness and response strategies in the face of climate-related challenges.

Socioeconomic concerns have rose from fourth to third position, but the number of those responding to this as a concern significantly rose from nearly 19% to 25.25%, indicating that councils are becoming more attuned to the broader social issues affecting their communities. This increase suggests a heightened focus on understanding and addressing the socioeconomic factors that contribute to community well-being and the community expectations of the tier of Government that is closest to the community in terms of local impact.

Social impacts, particularly in community services such as food and shelter, moved one point to fifth position. This perhaps indicates a growing recognition among councils of the importance of social safety nets and support services, especially in light of economic pressures.

Concerns regarding instability in the Pacific region have increased one point in 2024 with 7% acknowledging this risk compared to 4% in 2023, reflecting a growing awareness of geopolitical factors that may influence local governance and community stability. Meanwhile, the perceived impact of infectious diseases and pandemics moved to last position, but was still ranked by respondents, suggesting that it may be viewed as less immediate compared to other pressing issues.

Overall, the 2024 results indicate a shifting landscape regarding the impacts of risks and the broader outcomes associated with them. Councils are increasingly focused on socioeconomic factors and emergency preparedness while maintaining awareness of housing and community investment challenges. This evolution in priorities reflects the dynamic nature of the challenges councils face in effectively serving their communities amidst the risks they need to manage.





# Survey Approach

The survey provides insights from local leaders regarding their perceptions of 12 key risks. Respondents ranked these risks based on their level of concern, allowing for a more nuanced understanding of priorities.

The following example illustrates this ranking approach:

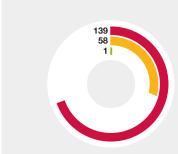
If we take the example risk above, the highlighted column above sums to 100% and shows a breakup of all the risks ranked at number one.

To ascertain the highest ranked factors, the rankings are divided into high, medium and low.

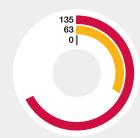
The following chart showcases the exact number of responses for high, medium and low ranking for the risk or underlying factor. The three rankings add up to 198 responses.

	HIGH	MEDIUM	LOW
	Rank 1-2	Rank 3-4	Rank 5-6
Ability to administer council governance effectively	58%	37%	5%
Loss of community trust in council (elected members)	48%	45%	7%
Loss of community trust in council administration	41%	50%	10%
Failure to comply with/undertake legislative requirements	39%	52%	10%
Oversight by independent conduct bodies	14%	16%	71%
Other	1%	1%	98%

# **Example Chart 1**



Ability to apply policy & implement procedures in accordance with Strategic Plans



Ability to discharge reasonable duty of care to the public to avoid negligence claims



Ability to undertake conduct due diligence in managing statutory/ responsibilities & Code of Conduct



Understanding & implementing Council's regulatory requirements



**Rank** 9 - 12

# **Example Chart 2**



# **Survey Respondents**

In 2024, 198 councils responded to the survey. Representation from the states and territories are in Figure 18.

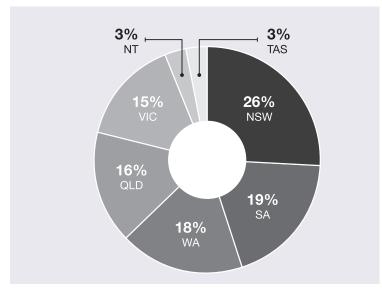


Figure 18: Number of council respondents

The 2024 JLT Public Sector Risk Survey saw the participation of 198 local government CEOs and General Managers. Representatives came from all states and the Northern Territory, representing metropolitan, city, regional, regional city and rural/remote communities.



Figure 19: Regional Respondents

# GLOSSARY

Business Continuity	Business continuity planning and community disruption	
Climate Change/Adaption	Climate Change and/or Adaptation	
Cyber	Cyber security/IT infrastructure	
Financial Sustainability	Financial Sustainability	
Ineffective Governance	Ineffective governance	
Assets & Infrastructure	Managing aging, property, assets, and infrastructure	
Disaster & Catastrophic	Natural Hazard, Disaster/Catastrophic Events	
Liability Claims	Negligence giving rise to civil liability claims	
People & Culture	People & Culture	
Reputation	Reputation as a local government and with the community	
Statutory and/or Regulatory requirements	Statutory and/or Regulatory requirements	
Waste Management	Waste Management	

# REFERENCES

Australian Government, PFAS National Environmental Management Plan 3.0, 2025,

https://www.dcceew.gov.au/environment/protection/publications/pfas-nemp-3,

Australian Government, Opportunities in the circular economy, Interim Report, 5 March 2025

https://www.pc.gov.au/inquiries/current/circular-economy/interim,

(Appendix AAR 10.3A)

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# (Appendix AAR 10.3B)

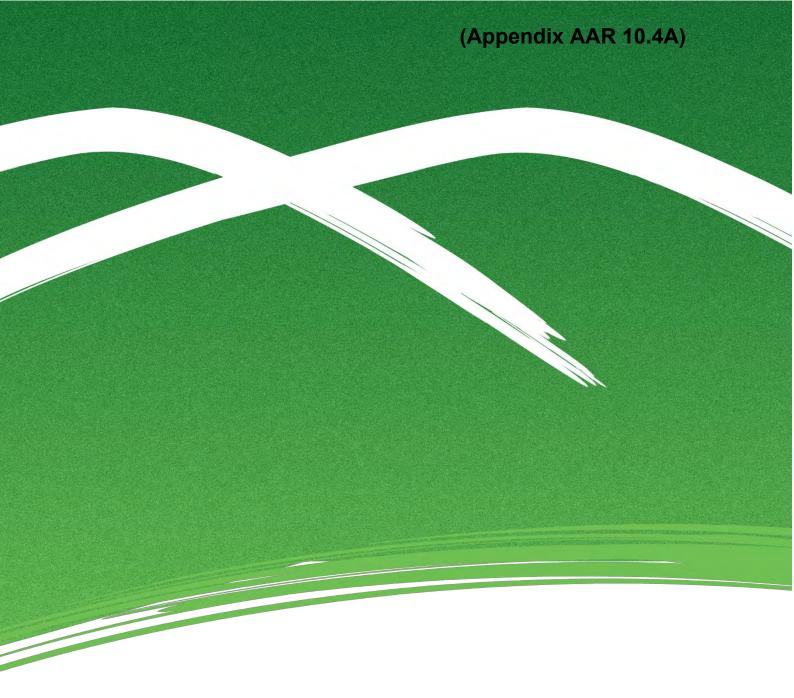
# RISK ASSESSMENT TOOL

**OVERALL RISK EVENT:** 2024-2025 JLT Public Sector Risk Report

RISK THEME PROFILE: All Risk Profile Themes

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE		PRIOR TO T	REATMENT OR	CONTROL	RISK ACTION PLAN	AFTER TREATEMENT OR CONTROL		
CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not considering the local government industry risks noted in the JLT report could have implications towards managing risk in accordance with Regulation 17 of the Local Government (Audit) Regulations 1996	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not considering industry reported risk and the potential impact this could have to long-term planning.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.



# Internal Audit Strategic Plan

2025/26 - 2027/28







# Document Control

7.0

10/09/2024

Annual update of plan



OCM 24-09-2024

**Res Pending** 

#### Document ID: Internal Audit Strategic Plan **Rev No** Date **Revision Details Author Approver** Adopted Cindy Barbetti / OCM 14-08-2019 1.0 01/07/2019 Original plan created and adopted Phil Anastasakis Phil Anastasakis Res 251-19 Cindy Barbetti / OCM 30-09-2020 2.0 23/06/2020 Annual update of plan Phil Anastasakis Phil Anastasakis Res 280-20 Cindy Barbetti / OCM 29-09-2021 3.0 03/08/2021 Annual update of plan Phil Anastasakis Phil Anastasakis Res 304-21 Cindy Barbetti / OCM 28-09-2022 4.0 14/09/2022 Annual update of plan Phil Anastasakis Res 250-22 Phil Anastasakis Cindy Barbetti / OCM 27-09-2023 5.0 13/09/2023 Annual update of plan Phil Anastasakis Phil Anastasakis Res 241-23 Cindy Barbetti / OCM 25-09-2024 6.0 11/09/2024 Phil Anastasakis Annual update of plan Phil Anastasakis Res 255-24

Cindy Barbetti /

**Natalie Hopkins** 

**Natalie Hopkins** 



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### Introduction

The primary purpose of the Shire of Dardanup's Internal Audit Plan is to align its focus and activities on the Council's key internal risks. The Internal Audit functional planning framework consists of two key elements:

- an Internal Audit Strategic Plan with a three-year outlook that relates the role of internal audit
  to the requirements of the Council by outlining the broad direction of internal audit over the
  medium term, in the context of all the Council's assurance activities; and
- an Internal Audit Annual Work Plan which includes an Internal Audit Annual Work schedule.

Together, these plans serve the purpose of setting out, in strategic and operational terms, the broad roles and responsibilities of Internal Audit and identify key issues relating to internal audit capability, such as the required professional skills.

This Annual Work Plan covers a financial year in line with the Council's annual budgeting and planning cycle and specifies the proposed internal audit coverage within the financial year.

It is reviewed annually by the Director Corporate & Governance in the first quarter of each financial year and presented to the Audit and Risk Committee for endorsement.

### Internal Audit Activities Overview

It is important that internal audit has a predominant focus on the conduct of assurance and advisory activities. Nevertheless, audit support activities are also important activities generally undertaken by Internal Audit.

The relative proportion of resources devoted to audit support activities, compared with audit assurance and advisory activities, is an important matter for consideration by the Audit and Risk Committee when considering Internal Audit plans and budgets.

It is important to note that the smaller the size of the in-house Internal Audit team, the greater the proportion of the audit support activities will be.

Internal Audit conducts the following audit support activities which are generally non-discretionary:

- Internal Audit strategic and operational planning.
- Internal Audit functional and administrative reporting.
- Monitoring the implementation of audit recommendations made by Internal Audit and the External Auditor.
- Liaison with the External Auditor.
- Internal Audit Quality Assurance and Improvement Program.



- Performing any appropriate special tasks or projects requested by the Director Corporate & Governance, CEO or the Audit and Risk Committee.
- Disseminating better practice and lessons learnt arising from the internal audit activities across local government.

The Internal Audit <u>assurance activities</u> include engagements with the following orientation:

#### Financial

- Auditing the financial statements of externally funded grants including research, capital and other special purpose grants/programs; and
- o Auditing the special purpose financial statements of discrete business operations such as Eaton Recreation Centre.

In performing financial statement audits, Internal Audit typically provides an audit opinion and a reasonable level of assurance to parties outside the Council, depending on the purpose for which the financial statements are prepared.

#### Compliance

- o Compliance has traditionally been a focus area for Internal Audit activities. The objective of a compliance engagement is to enable Internal Audit to express an opinion on whether the Council or an organisational area has complied in all material aspects, with requirements as measured by the suitable criteria which include:
  - Federal and State legislation and regulatory requirements.
  - Federal and State Government policies and administrative reporting guidelines.
  - Council policies, procedures, and Code of Conduct.
  - contracts to which the Council is a part.
  - strategic plans, or operational programs.
  - ethics related objectives and programs; and
  - other standards and good practice control models.

#### Performance (improvement)

 Performance (improvement) engagement is designed to assess the economy, efficiency and effectiveness of the Council's business systems and processes.

A compliance or performance (improvement) engagement is conducted either as an audit, which provides reasonable assurance, or as a review, which provides limited assurance.

For all assurance activities, Internal Audit observes, where applicable, the professional practice guidelines or statements issued by relevant professional bodies, including (but not limited to):

CPA Australia; and



Chartered Accountants Australia and New Zealand.

The Internal Audit **advisory activities** are to provide objective and relevant review services or ad hoc advice to management without assuming management responsibility.

The Director Corporate & Governance considers accepting proposed review engagements based on the engagement's potential to improve the management of risks, add value, and improve the Council's operations.

Internal Audit applies the principle that issue prevention activities are more beneficial and could be more cost-effective than issue detection activities. Accordingly, Internal Audit acts proactively in providing ad hoc advice to utilise its control and risk evaluation skills in preventing control weaknesses and breakdowns by providing ad hoc advice to the Council's management on a range of matters, including:

- o development of new programs and processes.
- o risk management; and
- o fraud control.

The percentages of Internal Audit effort to conduct audit support, assurance and advisory activities will fluctuate over the years depending on the Council's assurance needs and the Internal Audit's operational needs and priorities such as system, process, and staff professional development requirements. This is monitored by the Audit and Risk Committee.

### Methodology

Internal Audit adopts a **risk-based methodology**. The planning at both the functional and engagement levels is based on the risk assessment performed to ensure that it is appropriate to the size, functions and risk profile of the Council.

In order to provide optimal audit coverage to the Council and minimise duplication of assurance effort, due consideration is given to the following aspects:

- key Council business risks.
- any key risks or control concerns identified by management.
- assurance gaps and emerging needs; and
- scope of work of other assurance providers, internal and external.

Internal Audit maintains an open relationship with the external auditor and other assurance providers.



## **Internal Audit Coverage Prioritisation**

During each financial year, the Internal Audit coverage will have a different focus depending on the Council's current risk profile and assurance needs. The Internal Audit coverage is categorised into the following broad groups. The order in which these are listed is in line with the current priority given to each group based on the risk assessment.

- 1. **Annual audits** to review key areas of financial, operational, and human resources across the whole Council. This group of engagements are treated as first priority audits to meet the external reporting and compliance obligation of the Council, which can include:
  - a. Grant Audits.
  - b. Direct assistance to external audit by performing audit or review procedures under the direction of the external auditor; such activities customarily include the following engagements:
    - i. Salaries Audit.
    - ii. Expenditure Audit.
    - iii. Revenue Audit; and
    - iv. Follow up on audit recommendations made by the external auditor.
- 2. Audits of **high-risk** areas/systems where the controls are considered to be effective, however, independent assurance is required to ensure that the controls are in fact operating as intended.
- 3. Audits that review particular topics **across the whole Council** such as supplier selection and WHS management framework. This group of engagements are aimed at addressing systemic risks.
- 4. Audits that review **particular processes/activities** owned by a particular Directorate or Divisions such as gym membership; and
- 5. Consultancy/ad hoc advice on new systems, processes, and initiatives.

A small contingent time budget may be set aside to accommodate ad hoc or special requests, particularly those from the CEO and the Audit and Risk Committee.

### **Objective**

Engagement objectives are broad statements developed by Internal Audit that define intended engagement accomplishments. This is largely informed by the identified risks and assurance needs of the Council upon commencing of an engagement. Internal Audit provides opportunities for auditees to have input in formulating audit objective(s). For high-risk audits, Internal Audit also seeks the CEO's endorsement of the audit objective(s).

Engagement scope is driven by:

- the determined objectives; the broader the objectives, the wider the audit scope; and
- the level of assurance required; an "audit" provides a reasonable level of assurance and requires wider scope than that for a "review" which provides limited level of assurance.



## Responsibilities

The Internal Audit program is to be undertaken by the Shire of Dardanup Corporate Excellence & Compliance Officer, with oversight by the Director Corporate & Governance and assistance of other Council staff when required or available.

Council staff involved with the Internal Audit program will have access to all areas of the Shire of Dardanup operations, including correspondence, files, accounts, records, and documents as is necessary to perform the duties of the role, except those items that are noted as confidential and/or personal. Access to material noted as confidential and/or personal will only be provided upon request by the CEO.

Council staff involved with the Internal Audit program will conduct their reviews based on the methodology and internal audit coverage prioritization contained within the Internal Audit Plan, and report on the outcome of this review. Where it is reported that problems exist, corrective action will be recommended and followed through for action, ensuring that resources are directed towards areas of highest risk.

The Shire of Dardanup Internal Audit Plan will be reviewed and assessed on an annual basis. The Internal Audit Plan may be adjusted as a result of receiving requests to undertake special advisory services to conduct reviews that do not form part of the structured plan.

At the conclusion of each internal audit a report on the outcome will be forwarded to the Director Corporate & Governance. This report will outline what auditing actions were actually taken, provide recommendations for corrective action as required, monitoring, and reporting on the corrective actions undertaken.

# **Auditor General Reports**

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28 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 new 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 performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be further viewed as a vital component of the internal control function under Regulation 17.



# Internal Audit Annual Work Plan

II	INTERNAL AUDIT ANNUAL WORK SCHEDULE 2025-2026										
PROJECT TYPE		RISK RATING	BUDGET DAYS	DATE	RESOURCES						
Accounts Payable Review	Assurance – Financial; Compliance	High	7 days	October 2025	Corporate Excellence & Compliance Officer						
ERP Access Management	Assurance – Financial; Compliance	High	14 days	November 2025	Corporate Excellence & Compliance Officer						
Register Review	Assurance – Compliance	Low	20 days	February - March 2026	Corporate Excellence & Compliance Officer						
Recordkeeping Audit	Assurance – Compliance	Moderate	14 days	May 2025	Corporate Excellence & Compliance Officer						



### **Annual Audit Review 2025-2026**

#### Assurance - Financial; Compliance

#### **Accounts Payable**

- Review supplier application/modification process to ensure suppliers are added/modified in accordance with policy and procedure.
- Test the reliability of the reporting and approval process for changes to Accounts Payable Masterfile details.
- Review permission levels in the financial system to determine credibility of officers that can create/amend/delete Accounts Payable Masterfile details.
- Review adequacy of controls in place to ensure only authorised payments are made.

#### Assurance – Financial; Compliance

#### **ERP Access Management**

- Review user access to ensure role-based access controls are in place.
- Review and test Segregation of Duties configurations to ensure controls are effective and functions are separated.
- Test the reliability of Privileged Access (super users, power users) in accordance with Administration Policy APO33 Information Systems Access, and Form 195 Software Permissions.
- Test the timeliness of redundant access being removed, on termination, or through role changes.

#### **Assurance – Compliance**

#### **Tender Register**

• Review register for compliance with *Local Government (Functions and General)* Regulations 1996, Regulation 17 and ensure the register accurately and completely records all tenders.

#### **Register of Gifts and Contributions to Travel Register**

- Review register for compliance with Local Government Act 1995, s5.87A and s5.87B.
- Register accurately records all declarations.
- Declaration Form 4 complies with disclosure requirements.

#### **Electoral Gift Register**

- Review register for disclosures by candidates and donors in accordance with *Local Government (Elections) Regulations*, Regulation 30G.
- Review disclosures relating to unsuccessful candidates have been removed from the register and retained separately for at least 2 years.

#### Financial and Non-Financial Interests Register (Declarations of Interests)



- Review register for compliance with s5.88 Local Government Act 1995, and Local Government (Administration) Regulations 1996, Regulation 28.
- Register accurately records all declarations.
- Declarations comply with disclosure requirements under the *Local Government Act* 1995, Part 5, Div 6, Subdivision 1.

#### **Common Seal Register**

- Review register for compliance with Division 3 sections 9.49 and 9.49A Local Government Act 1995, and Council Policy Exec CP201 Execution of Documents and Application of Common Seal.
- Register accurately records each date the Common Seal was affixed to a document, the purpose of the document, and the number of copies sealed.
- Review the Councillor Information Bulletins for a report listing the documents to which the Common Seal has been affixed, and that the report has been presented to the next available Bulletin after which the Common Seal has been affixed.

#### **Related Party Register**

- Review register for compliance with AASB 124 Related Party Disclosures.
- Register accurately records related party relationships and related party transactions.
- The Annual Financial Report accurately reports transactions that have occurred with related parties.

#### **Elected Member Fees, Expenses & Allowances**

- Review register for compliance with Regulation 29C(2)(f) Local Government (Administration) Regulations 1996.
- Register accurately records fees, expenses and allowances paid to Elected Members.

#### **Complaints Register**

- Review register for compliance with s5.1.21 Local Government Act 1995.
- Register accurately records complaints of minor breaches.

#### **Assurance – Compliance**

#### **Recordkeeping Audit**

- Review who controls, recovers, changes, or owns a particular record.
- Compliance with all relevant legislation, including the *Privacy and Responsible Sharing Information Act 2024*, and the Shire's Record Keeping Plan.
- Retention and disposal is in accordance with all relevant legislation and the Shire's Record Keeping Plan.



# Template – Internal Audit Assessment and Response Summary

SHIRE OF DARDANUP – INTERNAL AUDIT ASSESSMENT AND RESPONSE SUMMARY							
Prepared by Date Audit Focus Area							
ASSESSMENT	OBJECTIVES MET Yes/No/NA	COMMENTS					
C1 Internal Controls C1.1 Ownership C1.2 Comprehensive Written Procedures C1.3 Confirm Staff Aware of Procedures C1.4 Confirm Staff Follow Procedures							
C2 Transaction Verification							
C3 Authorising Process							
C4 Processing							
C5 Compliance							
C6 Payments							
Reviewed by Date Signed							

(Appendix AAR 10.4B)

### **RISK ASSESSMENT TOOL**

**OVERALL RISK EVENT:** 2025-2026 Internal Audit Program

**RISK THEME PROFILE:** 

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory) 9 - External Theft and Fraud (including Cyber Crime)

8 - Errors, Omissions and Delays 12 - Misconduct

RISK ASSESSMENT CONTEXT: Strategic

CONSEQUENCE		PRIOR TO T	REATMENT OR	CONTROL	RISK ACTION PLAN	AFTER TRE	ATEMENT OR C	CONTROL
CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not considering internal control within the organisation would result in non-compliance with Regulation 17	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
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.	Moderate (3)	Unlikely (2)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

# (Appendix AAR 10.5)

### **RISK ASSESSMENT TOOL**

**OVERALL RISK EVENT:** Biannual Compliance Task Report

RISK THEME PROFILE:

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONCEOUENCE		PRIOR TO T	REATMENT OR	CONTROL		AFTER TRE	ATEMENT OR C	CONTROL
CONSEQUENCE CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	RISK ACTION PLAN (Treatment or controls proposed)	CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
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.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.



Office of the Auditor General Serving the Public Interest

Our Ref: 8658-002

Mr André Schönfeldt Chief Executive Officer Shire of Dardanup 1 Council Drive EATON WA 6232 7th Floor, Albert Facey House 469 Wellington Street, Perth

> Mail to: Perth BC PO Box 8489 PERTH WA 6849

**Tel**: 08 6557 7500 **Email**: info@audit.wa.gov.au

Email: andre.schonfeldt@dardanup.wa.gov.au

Dear Mr Schönfeldt

#### **ENTITY NOTIFICATION IN-HOUSE AUDIT**

Commencing with the 2026 financial audit, the Office of the Auditor General will be conducting the audit of your entity in-house.

Aamir Sheikh is the OAG engagement Leader responsible for your audit and their contact details are as below:

Email	Phone Number
aamir.sheikh@audit.wa.gov.au	(08) 6557 7576

If you have any queries, please contact Efthalia Samaras, Senior Director Practice Management on (08) 6557 7536.

Yours sincerely

Mark Ambrose

Mark Ambrose Acting Assistant Auditor General Financial Audit 19 June 2025

# (Appendix AAR 10.6B)

### **RISK ASSESSMENT TOOL**

**OVERALL RISK EVENT:** Audit Contract FY 2025-26 and onwards

**RISK THEME PROFILE:** 

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Operational

CONSEQUENCE		PRIOR TO T	REATMENT OR	CONTROL	RISK ACTION PLAN	AFTER TREATEMENT OR COM		ONTROL
CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	(Treatment or controls proposed)	CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Risk of Council breaching the Local Government Act 1995 – it is a requirement under the LGA 1995 s. 1.4 and s. 7.12 AB Conducting a financial audit; the Auditor is the Auditor General.	Not Required - No Risk Identified	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

# (Appendix AAR 10.7)

### **RISK ASSESSMENT TOOL**

**OVERALL RISK EVENT:** 2025 Financial Management Systems Review

**RISK THEME PROFILE:** 

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

RISK ASSESSMENT CONTEXT: Strategic

CONCEOUENCE	_	PRIOR TO T	REATMENT OR	CONTROL		AFTER TREATEMENT OR CONTROL		
CONSEQUENCE CATEGORY	RISK EVENT	CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING	RISK ACTION PLAN (Treatment or controls proposed)	CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Failure to fulfil obligations pursuant to the Local Government (Financial Management) Regulations 1996, Regulation 5.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
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.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.