Shire of Dardanup

CONFIRMED

MINUTES

AUDIT & RISK COMMITTEE MEETING

HELD

10th June 2026

AT

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

This document is available in alternative formats such as:
~ Large Print
~ Electronic Format [disk or emailed]
Upon request.

VISION STATEMENT

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

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COMMITTEE MEMBERSHIP:

- Cr S. Gillespie (Presiding Member)
- Cr. K. Laurentsch (Deputy Presiding Member)
- Cr. M Hutchinson
- Cr. B Farrant
- Cr. T Gardiner

- Cr L. Davies (Deputy/Proxy)
- Cr A. Jenour (Deputy/Proxy)

AUDIT & RISK COMMITTEE CHARTER

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

COUNCIL ROLE

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

DISCLAIMER

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

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

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

RISK ASSESSMENT

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

SHIRE OF DARDANUP

MINUTES OF THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING HELD ON WEDNESDAY, 10TH JUNE 2026, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 3:30PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson, Cr K Laurentsch, declared the meeting open at 3.30pm, welcomed those in attendance and referred to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

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

Emergency Procedure

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

Affirmation of Civic Duty and Responsibility

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

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

2.1 Attendance

Cr. Krystal A Laurentsch	-	Deputy Chairperson
Cr. Tyrrell G Gardiner	-	Elected Member
Cr. Brad S Farrant	-	Elected Member
Cr. Mark R Hutchinson	-	Elected Member
Cr. Anthony C Jenour	-	Elected Member (Proxy) via Teams [4.01pm]
Mr André Schönfeldt	-	Chief Executive Officer
Mr Theo Naudé	-	Director Infrastructure
Mrs Natalie Hopkins	-	Director Corporate and Governance
Mrs Donna Bailye	-	Manager Governance
Mr Shaun Hill	-	Manager Information Services
Mrs Cindy Barbetti	-	Corporate and Compliance Officer
Mrs Jolene Roots	-	Executive Support Officer

2.2 Apologies

Cr. Stacey L Gillespie - Chairperson
Mr. Craig Johnson - Director Community & Development Services

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

None.

4. PUBLIC QUESTION TIME

None.

5. PETITIONS/DEPUTATIONS/PRESENTATIONS

None.

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

6.1 Minutes - Audit and Risk Committee – 11th March 2026

AUDIT & RISK COMMITTEE RESOLUTION

AAR10-26 MOVED – Cr B S Farrant SECONDED – Cr T G Gardiner

THAT the Minutes of the Audit & Risk Committee Meeting held on 11th of March 2026, be confirmed as true and correct subject to no corrections.

CARRIED
4/0

For the Motion		*Against the Motion*
Cr. K A Laurentsch Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson		

7. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

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

None.

9. DECLARATION OF INTEREST

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

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

Discussion:

Chairperson, Cr Krystal A Laurentsch, asked the Committee members if there were any Declarations of Interest to be made.

There were no Declarations of Interest made.

10. REPORTS OF OFFICERS AND COMMITTEES

10.1 Notification of Counterfeit $20 Note Received

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Reporting Officer	*Mrs Cindy Barbetti - Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*10.1 – Risk Assessment*

Overview

This report provides the Audit and Risk Committee with notification of an incident involving the receipt of a counterfeit $20 note at the Eaton Recreation Centre (ERC) on Friday, 6th March 2026. The purpose of this report is to outline the circumstances of the incident, actions taken, and the organisational response to strengthen internal controls relating to counterfeit currency handling.

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

AUDIT & RISK COMMITTEE RESOLUTION

AAR11-26 MOVED – Cr B S Farrant SECONDED – Cr K A Laurentsch

THAT the Audit and Risk Committee recommends that Council notes the incident involving a counterfeit $20 note received at the Eaton Recreation Centre on 6th March 2026, and the corrective actions undertaken by the organisation.

CARRIED
4/0

For the Motion		*Against the Motion*
Cr. K A Laurentsch Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson		

Background

On 6th March 2026 at approximately 4.30pm, ERC staff identified that a counterfeit $20 note had been received during the day's transactions. The note contained several deceptive features, including realistic colouring, correct sizing, and a plastic-like texture. Upon closer examination, the word "PROPS" was visible within the transparent window, indicating that while the note was intended to resemble genuine Australian currency at a glance, it could be differentiated from legal tender on careful inspection.

The incident was reported to the Team Leader Customer Experience and subsequently escalated to the Manager Recreation Centre. At the time, ERC staff were unsure of the appropriate reporting procedure, as the Shire did not have a documented internal process for managing suspected counterfeit currency.

The Shire's Finance Team reviewed the Australian Federal Police (AFP) requirements for reporting counterfeit notes and arranged for the note to be submitted to the AFP via registered post for further investigation.

Legal Implications

Local Government Act 1995
Local Government (Financial Management) Regulations 1996

> *5. CEO's duties as to financial management*
> *(1) Efficient systems and procedures are to be established by the CEO of a local government*
> *(a) for the proper collection of all money owing to the local government; and*
> *(b) for the safe custody and security of all money collected or held by the local government.*

Council Plan

13.2 - Manage the Shire's resources responsibly.

Environment - None.

Precedents

This incident represents the first recorded occurrence of a counterfeit banknote of this denomination being identified at the Eaton Recreation Centre (ERC). While minor discrepancies in cash handling have

occasionally been reported in the past, there is no known history of counterfeit currency being received through ERC's customer service or point-of-sale operations.

Budget Implications

The receipt of the counterfeit note resulted in a $20 cash float shortfall for the day's takings. This variance has been corrected by reinstating the float back to its required balance through standard financial adjustment procedures.

Although the direct financial impact of this incident is minimal, it underscores the need for robust cash-handling protocols to prevent similar losses in the future. It also reinforces the importance of staff training in counterfeit detection, as improved early identification could prevent financial write-offs and protect the organisation from cumulative losses should such incidents recur.

Budget – Whole of Life Cost - None.

Council Policy Compliance - None

Risk Assessment

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

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Report Title	Notification of Counterfeit $20 Note Received	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Health	Staff Safety and Customer Interaction. Counterfeit detection often occurs during a face-to-face transaction. Risks include: • potential conflict or aggression from the customer • staff feeling unsure or unsafe in refusing tender
	Financial	Even though the amount is small, accepting a counterfeit note results in a direct financial loss to the Shire. It also establishes a precedent about how such losses are managed across service areas.
	Legal and Compliance	If counterfeit currency is mishandled (e.g., returned to customer, not reported to police, or evidence contaminated), the Shire may be: • non-compliant with obligations relating to the *Crimes (Currency) Act* • exposed in an audit (internal or OAG) for poor cash-handling controls • at risk of inconsistent application of procedures across facilities •

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
	Reputational	Small failures in financial controls can undermine confidence in: • the Shire's cash-handling processes • staff competency community trust in the Shire's financial management

Officer Comment

This incident has highlighted a clear gap in the Shire's organisational procedures relating to the identification, handling, and reporting of suspected counterfeit currency. Although the financial impact was minor ($20), the event underscored the importance of strengthening the Shire's internal controls and ensuring that frontline staff are adequately supported through:

- Clear, documented procedures
- Ongoing staff training and awareness
- Alignment with Australian Federal Police (AFP) and Reserve Bank of Australia (RBA) guidance
- Enhanced fraud-prevention controls across all cash-handling service areas

Following the incident, the Corporate Excellence & Compliance Officer issued communications to all customer-facing staff to reinforce vigilance in detecting potential counterfeit notes. In addition, a formal internal procedure has now been established, providing step-by-step instructions to guide staff in the event of future occurrences.

Presenting this item to the Audit and Risk Committee supports organisational transparency and ensures appropriate oversight, consistent with the Shire's broader governance and risk management responsibilities.

END REPORT

10.2 Western Australian Auditor General – Schedule of Reports

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officer	*Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995* *Local Government (Audit) Regulations 1996*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*AAR 10.2A – Risk Assessment* *AAR 10.2B – Information Systems Audit - M365* *AAR 10.2C – Performance Audit - Controls Over Portable Assets* *AAR 10.2D – Performance Audit - LG Management of Gifts and Benefits* *AAR 10.2E – Information Systems Audit Results* *AAR 10.2F – Local Government 2025 – Financial Audit Results*

Overview

This report outlines the Western Australian Auditor General reports published since the March 2026 committee meeting, ensuring the Audit and Risk Committee remains informed of recent developments.

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

AUDIT & RISK COMMITTEE RESOLUTION

AAR12-26 MOVED – Cr K A Laurentsch SECONDED – Cr M R Hutchinson

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

CARRIED
4/0

For the Motion		*Against the Motion*
Cr. K A Laurentsch Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson		

Background

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

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

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

Legal Implications

Local Government Act 1995
Local Government (Audit) Regulations 1996, r17

> *17. CEO to review certain systems and procedures*
>
> *(1) The CEO must review the appropriateness and effectiveness of the local government's systems and procedures in relation to the following matters —*
> *(a) financial management;*
> *(b) legislative compliance;*
> *(c) risk management.*
>
> *(2) Under subregulation (1), the CEO may review any or all of the matters referred to in subregulation (1)(a) to (c) at any time but must review each of those matters not less than once in every 4 financial years.*
>
> *(3) The CEO must report to the audit, risk and improvement committee the results of each review carried out under subregulation (1).*
>
> *[Regulation 17 inserted: SL 2025/211 r. 14.]*
>
> *As at 01 Jan 2026*

Council Plan

13.1 - Adopt best practice governance.
14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

The Audit and Risk Committee received a report at its March 2026 meeting addressing OAG reports issued between January 2026 and February 2026.

Budget Implications

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

Budget – Whole of Life Cost

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

Council Policy Compliance - None.

Risk Assessment

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

Tier 2 – 'Low' or 'Moderate' Inherent Risk.		
Report Title	Western Australian Auditor General – Schedule of Reports	
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Not considering the risks, controls and recommendations arising from the Auditor General's report could have an impact on Council not meeting its compliance requirements.
	Reputational	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

Officer Comment

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

Since the last committee meeting, there has been five (5) reports released by the OAG that is of interest to the local government sector. These reports are reflected in the table below together with officer comment:

DATE	REPORT NO	REPORT	APPENDIX
6 March 2026	9	Information Systems Audit Microsoft 365 Security Controls – State Entities	AAR:10.2B
6 March 2026	10	Performance Audit Controls Over Portable Assets – State Entities	AAR:10.2C
18 March 2026	11	Performance Audit Local Government Management of Gifts and Benefits	AAR:10.2D
25 March 2026	12	Information Systems Audit Results – Local Government 2025	AAR:10.2E
15 April 2026	13	Local Government 2025 – Financial Audit Results	AAR:10.2F

Report 9 Microsoft 365 Security Controls – State Entities

1) What this OAG report is about

The report examines how effectively seven WA State Government entities configure and manage Microsoft 365 (M365) security controls, focusing on whether weaknesses expose entities to cyber incidents, data breaches, service disruptions and operational risk.

It assesses 160+ security settings across five categories:

- Governance;
- Identity and Access Management;
- Information Protection;
- Security Management & Visibility; and
- Threat Protection.

The OAG found that entities were only partly effective in managing their M365 environments, with weaknesses across all five categories, particularly in governance and identity/access controls.

The purpose is to highlight systemic vulnerabilities and identify opportunities for strengthening cyber security controls across the sector.

2) Key messages for Local Government

Although the audit focused on State entities, the findings are directly relevant to all public sector organisations, including local governments, because most use M365 and face similar risks.

Key messages include:

a. Governance weaknesses leave organisations exposed
- Minimum M365 security requirements were not defined.
- Security settings were not backed up.
- Personal devices used for Multi-Factor Authentication (MFA) were unmanaged.
- User access reviews were incomplete.

b. Identity and access management is a critical risk area
- Weak MFA (SMS/email) is still widely used.
- Legacy authentication hasn't been blocked.
- Privileged access is permanent rather than time-bound.

c. Information sharing controls are insufficient
- Data Loss Prevention (DLP) not applied to key apps (OneDrive, SharePoint, Teams, Exchange).
- External sharing overly permissive.
- Staff can save data to unapproved cloud locations.

d. Gaps in monitoring reduce incident response capability
- High-privilege role changes not always alerted.
- Vendor access not effectively controlled.
- Logs not retained for long enough (ASD recommends 18 months).

e. Threat protection controls only partly effective
- High-risk sign-ins not consistently blocked.
- Email impersonation protection weak.
- Auto-forwarding not restricted (major business email compromise risk).
- Unapproved Teams/Power BI apps allowed.

These weaknesses collectively increase the likelihood of data breaches, financial loss, reputational harm, and service interruption.

3) What this means for the Shire of Dardanup

While the report relates to State Government entities, the findings are highly relevant to the Shire given the reliance on Microsoft 365 and similar operating and risk environments.

The report highlights that cyber security risks are largely systemic rather than entity-specific, meaning that without deliberate control maturity, similar vulnerabilities may exist across organisations.

For the Shire, this reinforces the need to strengthen overall cyber security controls across governance, access management, data protection, monitoring, and threat prevention to reduce the risk of cyber incidents, data loss, and service disruption.

Report 10 Performance Audit Controls Over Portable Assets – State Entities

1) What this OAG report is about

This performance audit examined whether five WA State Government entities had effective controls over their portable assets to minimise loss, theft, and misuse.

Portable assets include items under $5,000 such as IT devices, tools, scientific equipment, safety devices, and educational equipment—items that are easily moved, frequently shared, and attractive for misuse or theft.

The audit assessed how well entities:

- recorded portable assets;
- tracked their location and custody;
- performed stocktakes;
- documented disposals; and
- educated staff on personal use and ethical obligations.

2) Key messages for Local Government

Although the report focuses on State entities, the risks and control failures apply directly to local governments, especially given that LGs also hold large volumes of portable and attractive assets (e.g., iPads, laptops, radios, tools, equipment, small plant, defibrillators, cameras).

- Many entities lack a clear and complete understanding of their portable assets, including what they have and where those assets are located.

- Asset registers are often incomplete, inaccurate or inconsistently maintained, leading to increased risk of loss, theft or misuse.

- Newly purchased portable assets are not always added to registers, creating gaps in tracking and custodial accountability.

- Stocktakes are not being conducted regularly or thoroughly, reducing entities' ability to detect missing items or reconcile discrepancies.

- Disposal processes are poorly documented or not followed, resulting in inadequate approvals and lack of transparency over the disposal of public property.

- Policies and procedures are often unclear or inconsistently applied, especially regarding what constitutes a portable asset and how it should be managed across multiple sites.

- Effective staff guidance—through Codes of Conduct, training and clear expectations—helps reduce the risk of inappropriate personal use of portable assets.

- Robust controls over portable assets are essential to protect public funds, maintain service delivery, and ensure transparency and accountability.

This OAG report shows that public entities frequently lack basic controls over portable assets, leading to missing items, inaccurate registers, poor disposal practices and increased risk of loss, theft and service interruption. For local governments, the key message is to strengthen asset registers, stocktake practices, disposal controls, staff training and governance oversight, particularly in high-risk areas such as IT devices, tools and equipment.

3) What this means for Shire of Dardanup

While the report relates to State Government entities, the findings are highly relevant to the Shire given the similar nature of operations and the reliance on portable assets to support service delivery. The report highlights that risks associated with portable assets are largely systemic, meaning that without clear and consistent controls, similar vulnerabilities may exist across organisations.

For the Shire, this reinforces the need to strengthen controls over the management of portable assets, including maintaining accurate asset registers, undertaking regular stocktakes, ensuring appropriate disposal processes, and providing clear guidance to staff on asset use and accountability.

Strengthening these controls will help reduce the risk of asset loss, theft, misuse, and service disruption, while supporting transparency, accountability, and the effective use of public resources.

Report 11 Local Government Management of Gifts and Benefits

1) What this OAG report is about

The audit assessed whether six local governments—and the Department of Local Government, Industry Regulation and Safety (DLGIRS)—are effectively managing gifts and benefits, including:

- transparency and completeness of gift registers
- whether offers, acceptance, and conflicts of interest are being properly managed
- adequacy of policies, procedures, training, and guidance
- oversight and monitoring practices
- alignment with legislative requirements under the *Local Government Act 1995*

The report found that while transparency around gift disclosure is generally strong, conflicts of interest arising from accepted gifts are not being effectively managed, and staff (not just council members and CEOs) face significant influence risks.

2) Key messages for Local Government

Transparency

- Most entities publish gift registers, but many are incomplete or not updated frequently enough; and
- Declaring both accepted and declined gifts enables stronger oversight and protects staff from perceptions of undue influence.

Conflicts of Interest

- Entities disclose gifts but are not effectively managing conflicts of interest created when staff accept gifts from suppliers or prospective suppliers.

- Procurement-related staff, not just elected members, are exposed to gifts, creating real or perceived influence on decisions.
- Many policies and registers do not require recipients to consider or document conflict-of-interest risks when recording gifts.

Policies & Procedures
- Policies often lack clear guidance on when gifts should be accepted, declined, or prohibited.
- Stronger rules are needed, especially regarding gifts from suppliers, alcohol, event tickets, and hospitality.
- Decision-making frameworks and practical tools (like the "GIFT Test") are effective but not consistently used across entities.

Training & Culture
- Training on gifts and benefits is generally limited to induction and is not reinforced regularly.
- High-risk roles (procurement, contract management, regulatory roles) require specialised, ongoing integrity training.

Oversight & Monitoring
- Entities are not fully utilising gift register data to identify trends, risks, or patterns in gifts offered or accepted.
- Entities lack integrated oversight across complaints, supplier information, and procurement decisions, reducing their ability to detect emerging risks.
- Some governance advice given to staff is not followed, highlighting cultural and behavioural risks.

Sector Guidance
- Current guidance from DLGIRS is insufficient, outdated, and focused only on council members and CEOs, despite most gifts being received by staff.
- Legislative thresholds (e.g., $300) are inconsistent with broader public sector standards and do not reflect risk appetite or community expectations.
- Local governments often seek their own legal advice because guidance is not clear, increasing costs to ratepayers.

3) What this means for the Shire of Dardanup

While the report focuses on selected local governments, the findings are directly relevant to the Shire given the similar legislative environment and operational practices.

The report highlights that risks associated with gifts and benefits are not limited to transparency but extend to the effective management of conflicts of interest, particularly for staff in procurement, contract management, and regulatory roles.

For the Shire, this reinforces the need to ensure that controls over gifts and benefits are comprehensive and consistently applied, including maintaining accurate and timely registers, strengthening conflict of interest management, and providing clear guidance on when gifts should be accepted or declined.

It also highlights the importance of ongoing training and awareness to support an integrity-based culture, as well as improved oversight to identify trends, risks, and potential areas of concern.

Strengthening these areas will help reduce the risk of undue influence, support transparent and defensible decision-making, and maintain community confidence in the Shire's governance and ethical standards.

Report 12 Information Systems Audit – Local Government 2025

1) What this OAG report is about

This report summarises the findings of the Office of the Auditor General's annual Information Systems (IS) and General Computer Controls (GCC) audits for the 2025 cycle. The purpose of these audits is to assess whether local governments have effective controls that safeguard the confidentiality, integrity, and availability of key financial and business systems.

Why the report covers 68 entities (and not all local governments)
The report presents results for 68 local governments because these were the entities whose 2025 financial audits included completed GCC reviews at the time the report was finalised. GCC procedures are conducted as part of the annual financial audit, and audit completion dates vary significantly across the sector.

Not all local governments reach the GCC audit stage within the same reporting window, which is why the number varies from year to year (e.g., 89 were included in the prior year). Additionally, capability maturity assessments — a deeper level of IS audit — are performed only at selected entities, not across the entire sector, with 15 entities assessed in this cycle.

Scope of the report
The audit examines 10 control categories, including:

- Access Management
- Information Security Framework
- Endpoint Security
- Human Resource Security
- Network Security
- Business Continuity
- IT Operations
- Risk Management
- Change Management
- Physical Security

These findings provide a sector-wide view of cyber maturity and highlight areas requiring improvement across local governments in Western Australia.

2) Key messages for Local Government

Sector-wide cyber maturity is declining
Across all 10 control categories, capability maturity levels declined compared to the previous year, with most entities failing to meet the benchmark (level 3 or above).

Many weaknesses remain unresolved year after year
Of the 333 findings, 60% were repeat issues, signalling persistent systemic gaps and slow remediation.

Critical control areas remain the weakest
The highest-risk areas identified were:

- Access management (weak MFA, poor privilege controls, shared accounts)
- Information security frameworks (outdated/missing policies and governance)
- Endpoint security (poor patching, vulnerable legacy systems, weak macro controls)
- Network security (poor segmentation, default passwords, inadequate testing)
- Business continuity (plans not updated or tested)

Human factors remain a major vulnerability

Weak security awareness training contributed to incidents such as a $350,000 fraudulent payment following a phishing attack.

Improving controls does not always require expensive technology
The OAG emphasises that uplift largely depends on:

- Strong governance
- Regular risk reviews
- Clear policies and processes
- Ongoing staff awareness

3) What this means for the Shire of Dardanup

For the Shire of Dardanup, the OAG's 2025 Information Systems Audit results highlight the need to strengthen cyber and information security governance, particularly in areas where weaknesses were most common across the sector: access management, information security frameworks, endpoint and network security, and business continuity planning.

These findings emphasise the importance of enforcing multi-factor authentication, improving ICT governance structures, ensuring regular patching and vulnerability management, and separating corporate networks from public-facing or operational technology systems — an issue underscored by sector-wide shortcomings in network segmentation and default device credentials.

The report also reinforces the need for updated and tested disaster recovery and incident response plans, as many local governments continue to operate with outdated or untested arrangements.

Report 13 Local Government 2025 – Financial Audit Results

1) What this OAG report is about

The report presents the final results of financial audits for Western Australian local governments for the year ended 30th June 2025. It covers 138 of 147 entities, with the balance addressed in a separate audit status report. It assesses not just audit opinions, but financial reporting quality, internal controls, asset management, financial health, and governance practices across the sector.

Headline results

- 136 of 138 entities received clear (unqualified) audit opinions, a marked improvement on prior years. Only 2 qualified opinions were issued.
- Audit timeliness improved: 94% of opinions were issued by the statutory 31st December deadline, though there remains a heavy December bottleneck.
- Quality remains a concern:
    - Prior period errors increased (largely asset-related).
    - Only 6% of entities submitted a financial report requiring no audit adjustments.
    - Around one-third of councils submitted five or more versions of their financial report, driving cost and delay.

Systemic risk themes

- Property and infrastructure asset accounting (valuation, works in progress, reconciliations) is the dominant source of errors, qualifications and Emphasis of Matter paragraphs.
- Financial sustainability pressure is emerging across the sector, with declining current ratios and some councils unable to meet short-term obligations.

2) Key messages for Local Government

The Auditor General's messages are consistent and very practical:

a) Audit-ready, high-quality financial reports are essential
    - Submitting on time is no longer enough; quality at first submission is now the benchmark.

- Excessive revisions signal weak internal review and financial capability and increase audit cost and risk.

b) Asset management is non-negotiable
- Errors in valuations, asset registers, and WIP capitalisation are driving prior period restatements and qualifications.
- Councils are expected to apply the new LGIRS valuation guidance (issued March 2026) and ensure valuers comply with required methodologies.

c) Financial health must be actively monitored by Council
- The sector's average and median current ratios are trending down, indicating reduced capacity to meet short-term liabilities.
- Councillors and CEOs are expected to intervene early when financial stress indicators emerge, rather than waiting for audit disclosure.

d) Governance and accountability expectations are rising
- Audit committees are now Audit, Risk and Improvement Committees with stronger oversight roles.
- Unresolved prior-year control issues are a red flag; 32% of findings remain unresolved across the sector.

e) "Compliance mindset" is no longer sufficient
- The OAG is clear that treating deadlines (30th September or early December) as targets reflects minimum compliance, not good governance.
- Councils are expected to plan for earlier completion, smoother audits, and stronger internal controls.

3) What this means for the Shire of Dardanup

Based on the report's specific disclosures for Shire of Dardanup (Band 3):

a) Audit outcome
- The Shire received a clear audit opinion for 2025.
- An Emphasis of Matter (EoM) paragraph was included due to restatement of comparative balances from the 2024 financial statements. This does not modify the opinion but highlights that prior period errors were corrected.

b) Timeliness and relative performance
- Audit opinion issued 21st November 2025, earlier than many peers and well ahead of the statutory deadline.
- This places Dardanup in a stronger timeliness position compared to much of the sector, especially given the December audit bottleneck noted by OAG.

c) Financial health
- Current ratio 2025: 2.98 (down from 3.53 in 2024).
    - This is above 1, indicating the Shire can meet short-term obligations.
    - However, the downward movement mirrors the sector-wide declining trend, which the Auditor General flags as an emerging risk requiring attention.

What Dardanup should focus on next:

a) Prevent repeat restatements
- The EoM indicates asset or accounting corrections were needed. The clear expectation is that root causes are fixed, not recurring.

b) Strengthen asset governance
    - Review valuation processes, WIP transfers, and reconciliations against the new LGIRS valuation guidance before the 2026 cycle.

c) Maintain audit readiness discipline
    - Keep early submission and minimise post-submission changes to avoid drifting toward the sector's "multiple versions" risk profile.

d) Monitor financial sustainability trends

- While currently sound, the falling current ratio suggests the need for active cash flow and reserve monitoring, particularly as operating cost pressures increase.

The report recognises Dardanup as generally well managed and timely, while also reflecting the broader sector shift toward treating asset accuracy, first-cut financial report quality, and forward-looking financial oversight as core governance responsibilities rather than purely technical finance matters.

Conclusion

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

END REPORT

10.3 Biannual Risk Management Report & Framework Review Update

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officer	*Mrs Cindy Barbetti - Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17*
Council Role	*Legislative.*
Voting Requirement	*Simple Majority.*
Attachments	*Confidential Attachment A – Under Separate Cover* *AAR:10.3 Risk Assessment*

Note: Cr AJ Jenour joined the meeting via Teams at 4.01pm.

Overview

The purpose of this report is to present the biannual Risk Management Dashboard Report (Confidential Attachment A – Under Separate Cover) to the Audit and Risk Committee for consideration, and to provide an update on the three-yearly review of the Risk Management Governance Framework.

The Framework, originally scheduled for presentation in June 2026 in accordance with the Annual Audit Work Plan, has been deferred and will now be presented to the Audit, Risk and Improvement Committee at its September 2026 meeting.

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

AUDIT & RISK COMMITTEE RESOLUTION

AAR13-26 MOVED - Cr T G Gardiner SECONDED – Cr B S Farrant

THAT the Audit and Risk Committee recommends that Council:

1. **Receives the biannual Risk Management Dashboard Report for this reporting period, as provided for in Confidential Attachment (A) (under separate cover); and**

2. **Notes that the 3-yearly Risk Management Governance Framework will be presented at the September 2026 Audit, Risk and Improvement Committee meeting.**

CARRIED
5/0

For the Motion		*Against the Motion*
Cr. K A Laurentsch Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. A J Jenour		

Background

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

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

This requirement is further prescribed as a committee objective in the Terms of Reference, together with the committee's 2026 Annual Audit Work Plan, as shown below:

- Terms of Reference

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

- 2026 Annual Audit Work Plan

AUDIT AND RISK COMMITTEE – 2026 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	**11 Mar 26**	*** Apr/ May 26**	**10 Jun 26**	**9 Sep 26**	**9 Dec 26**
2. Risk Management					
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 28-06-2023 [Res 168-23]			✖ Deferred	✓ Rescheduled	
Receive the biannual dashboard report			✓ This meeting		✓

This report has been compiled in direct response to the Framework reporting requirements, Terms of Reference for the committee, and the 2026 Annual Audit Work Plan for the committee.

Additionally, the Reporting Officer requests that Council through the Committee, note the presentation of the three-yearly Risk Management Governance Framework, originally scheduled for June 2026, has been deferred to the September 2026 Audit, Risk and Improvement Committee meeting.

Legal Implications

Local Government Act 1995
Local Government (Audit) Regulations 1996, Regulation 17:

17. CEO to review certain systems and procedures

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

(a) financial management;

(b) legislative compliance; and

(c) risk management.

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

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

[Regulation 17 inserted: SL2025/211 r.14.]

Council Plan
13.1 - Adopt best practice governance.
13.2 - Manage the Shire's resources responsibly.
14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

The Audit and Risk Committee has maintained ongoing oversight of the Risk Management Dashboard Report, with the report submitted for consideration on a six-monthly cycle.

Budget Implications

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

Budget – Whole of Life Cost - None.

Council Policy Compliance

Risk Management Governance Framework

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

Risk Assessment

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

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

Officer Comment

- *Biannual Risk Management Dashboard Report*

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

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

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

To provide a comparison between reporting periods, table 1 below indicates that there are currently 22 treatments/action plans in place, compared to 18 last reporting period. Since the last review, 4 new treatments have been added, with 8 being completed in the last 6 months. As treatments are cleared or completed, they are removed from the Dashboard.

Table 1 – Treatment Plan Summary

(Last reporting period)			(This reporting period)		
Total	**Completed**	**In Progress**	**Total**	**New**	**In Progress**
26	8	18	18	4	22

The Dashboard also provides an indication of the value of the combined controls in mitigating levels of risk. This is summarised by the overall control rating (how effective the controls in place are operating) and the overall risk rating (the determined level of risk). In summary, the Dashboard demonstrates that 13 combined controls are rated as 'Adequate' and 3 are rated as 'Effective'.

The incoming Audit, Risk and Improvement Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for December 2026.

- 3-yearly consideration of the Risk Management Governance Framework – Update

The Committee's consideration of the three-yearly review of the Risk Management Governance Framework was originally scheduled for the June meeting, in accordance with the 2026 Annual Audit Work Plan. This item will now be presented to the September Audit, Risk and Improvement Committee (ARIC).

To support this review, the Shire has engaged Marsh Risk Consulting to undertake the three-yearly assessment. As part of this process, a workshop was held on 2nd June 2026 with management and executive leadership. The workshop focused on reinforcing risk management fundamentals, including the objectives of the Framework, risk identification, risk appetite and tolerance, and explored the Shire's Strategic Risks.

Following the workshop, Marsh Risk Consulting will work with the Shire to review both the Risk Management Governance Framework and the associated Policy. These documents will be presented to ARIC in September 2026 for consideration and subsequent recommendation to Council.

This revised timing will also enable the independent members of ARIC to participate fully in the consideration process, providing valuable oversight and input.

END REPORT

10.4 2026 Governance Health Review – Interim Update Report

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Reporting Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Legislation	*Local Government Act 1995*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*10.4 – Risk Assessment*

Overview

This report provides the Audit and Risk Committee with an update on the 2026 Governance Health Review conducted by Stantons, including the current status of management's review of the findings and the development of a Forward Improvement Plan.

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

AAR14-26 MOVED – Cr K A Laurentsch SECONDED – Cr M R Hutchinson

THAT the Audit and Risk Committee recommends that Council:

1. **Receives the update on the 2026 Governance Health Review.**
2. **Notes that management is currently reviewing the findings and recommendations identified in the report.**
3. **Notes that a further report will be presented to the Audit, Risk and Improvement Committee in September 2026 to consider the final Governance Health Review and associated Forward Improvement Plan.**

CARRIED
5/0

For the Motion		*Against the Motion*
Cr. K A Laurentsch Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. A J Jenour		

Background

The Shire of Dardanup engaged Stantons to undertake an independent Governance Health Review for the period 1st January 2025 to 31st December 2025. The purpose of the review was to assess the effectiveness of the Shire's governance frameworks, systems, and practices, and to identify opportunities to strengthen compliance, transparency, and organisational resilience.

The review was comprehensive in scope and included key governance areas such as legislative compliance, procurement, council and committee governance, audit and risk oversight, delegations, complaints management, risk management, human resources, records management, policy framework, internal controls, and transparency measures.

This review forms part of the Shire's ongoing governance assurance program and follows a similar whole-of-organisation governance review undertaken in 2019.

The Shire has now received the draft Governance Health Review report from Stantons. Management is currently working through the findings and recommendations to determine appropriate actions and implementation priorities.

Legal Implications - None.

Council Plan

13.1 - Adopt best practice governance.
13.2 - Manage the Shire's resources responsibly.
14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

A similar governance review was undertaken in 2019.

Budget Implications

The cost of the review, totalling $22,049.12 (ex GST), was accommodated within the Consultancy budget as part of the 2025–2026 Annual Budget.

Budget – Whole of Life Cost - None.

Council Policy Compliance - None.

Risk Assessment

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

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Report Title	2026 Governance Health Review	
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Financial	Failure to give proper consideration to the reports findings and recommendations could expose the Shire to additional remediation costs.
	Legal and Compliance	If audit findings are not appropriately addressed, there is a risk that governance frameworks may not fully align with legislative requirements or better practice, potentially leading to non-compliance and future audit findings.
	Reputational	If governance improvements are not addressed, there is a risk of reduced

TIER 2 – 'Low' or 'Moderate' Inherent Risk.	
	confidence from stakeholders, which may impact the Shire's reputation.

Officer Comment

The draft Governance Health Review has been received from Stantons and is currently under detailed review by management.

Management is working through the findings and recommendations to assess their applicability, determine appropriate responses, and establish implementation priorities.

To support this process, a Forward Improvement Plan (FIP) is being developed to provide a structured and coordinated approach to addressing the audit outcomes and identified improvement opportunities. The FIP will outline clear actions, accountabilities, and timeframes to support effective implementation across the organisation.

Both the Governance Health Review report and the FIP are currently being refined. Management intends to present the final Governance Health Review, together with the completed Forward Improvement Plan, to the Audit, Risk and Improvement Committee at its September 2026 meeting.

This approach will enable the Committee to consider the audit findings alongside a clear, practical, and risk-based implementation program.

END REPORT

10.5 2025 Financial Management Systems Review – Update Report

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officer	*Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995* *Local Government (Financial Management) Regulations 1996*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*AAR:10.5 - Risk Assessment* *Confidential Attachment 'B' AMD Report*

DECLARATION OF INTEREST
Chief Executive Officer, Mr André Schönfeldt, declared an Impartiality Interest in this item (10.5) due to having sought AMD Accountants services in previous years.

Overview

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

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

AAR15-26 MOVED – Cr T G Gardiner SECONDED – Cr M R Hutchinson

THAT the Audit and Risk Committee recommends that Council:

1. **Receives the June 2026 update report on the implementation of actions required from the findings of the 2025 Financial Management Systems Review (FMSR); and**

2. **Notes that the completion of finding 7.2.1 Plans and Policies is expected to be achieved by the due date of 30th June 2026.**

CARRIED
5/0

For the Motion		*Against the Motion*
Cr. K A Laurentsch Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. A J Jenour		

Background

2025 Financial Management System Review:

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

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

2025 Reforms:

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

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

Reporting on actions from the 2025 Financial Management Systems Review:

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

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

Legal Implications -

Local Government Act 1995
Local Government (Financial Management) Regulations 1996

- Pre 2025 Reforms:

5 (2) The CEO is to —

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

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

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

- Post 2025 Reforms:

5 (2) The CEO is to —

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

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

[(c) deleted]

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

As at 01 Jan 2026

Council Plan

13.1 - Adopt best practice governance.
13.2 - Manage the Shire's resources responsibly.
14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

Year	Review Method	Conducted By	Report Received	Resolution Number
2016	External	Butler Settineri	Ordinary Council Meeting 27th January 2016	OCM 08-16
2019	External	AMD Chartered Accountants	Audit Committee	AUD 04-19
			Ordinary Council Meeting	OCM 56-19
2022	External	AMD Chartered Accountants	Audit and Risk Committee	AAR 03-22
			Ordinary Council Meeting	OCM 75-22
2025	External	AMD Chartered Accountants	Audit and Risk Committee	AAR 05-25
			Ordinary Council Meeting	OCM 61-25

Budget Implications

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

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

Budget – Whole of Life Cost

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

Council Policy Compliance

Nil Council Policy.

Delegation 1.3.8 Financial Management Systems and Procedures.

Risk Assessment

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

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

Officer Comment

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

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

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

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

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	all staff and monitored on an ongoing basis to ensure compliance with stated procedures. We suggest it may be useful for the procedure to include standard compliance checklist, in particular for the monitoring of ongoing service contracts. **Management Comment** The Shire has a Procurement Framework in place that incorporates 'contract management', and in particular: - Contract Establishment - Contract Management: administration, performance management and KPI's - Contract Extension or Close Project Officers are provided with a series of templates available through the Framework to assist with performance management throughout the project. **Action:** Review the 'contract management' section within the Shire of Dardanup Procurement Framework and identify areas for improvement to ensure the requirement for performance evaluation procedures are documented in line with this finding. Following on from the Procurement Framework review, it may be necessary to implement a standalone 'Contract Management Framework', which would complement the upcoming *Local Government Regulations Amendment Regulation 2024*, and the requirements for Council's Contract Register to be publicly accessible.				
6	***Authorisation for incurring liabilities and making payments***				
6.2.1	**Fuel Usage – Depot** No record maintained for jerry can fuel usage. During the course of our review, discussion and observations indicated there is currently a fuel card assigned to 'jerry cans' however there is no formal record kept in relation to the usage of the fuel from jerry cans. **Implications / Risks** Increased risk of misappropriation or misuse of fuel going undetected. **Recommendation** We recommend a fuel register be developed and maintained in respect to fuel usage from jerry cans. **Management Comment** Management accepts this finding which is for a 'Sundry Plant' fuel card, with the sole intention of this card to be used to refill Jerry Cans for fuel for small plant items. A Fuel register will be developed and maintained in respect to fuel usage from jerry cans. **Original Action:** implement a Fuel Register for the 'Sundry Plant' fuel card. **Amended Action:** reduce the daily limit on the 'Sundry Plant' fuel card to $500 and continue to monitor the usage on a monthly basis. Remove the requirement to implement a Fuel Register for this particular fuel card, as this is deemed too cumbersome and is not industry best practice.	**Low**	**Manager Operations**	31 May 2025	**Completed**
7	***Maintenance of payroll, stock control and costing records***				
7.2.1	**Plans and Policies** We note the Light Vehicle Policy is prescriptive in nature, detailing specific vehicle makes and models available to the Shire for purchase. The policy includes some specific vehicle models that are either no longer available for purchase, or difficult to source locally. We note the recent purchase of 5 motor vehicles by the Shire in November 2024 at a quoted cost of $258,685; whereby only 1 tender response was received. The tender response was	**Low**	**Director Corporate & Governance**	Original due date: 31 December 2025 Extended to: 30 June 2026	**In Progress**

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	scored 3.1 out of 10 by the tender evaluation panel, and the quoted cost accepted exceeded budget by 10.2% or $26,485. **Implication / Risk** There is an increased risk of inefficient procurement procedures. **Recommendation** We recommend the Light Vehicle Plan be reviewed and enhancements made to allow for a more effective procurement procedure in respect of the purchase of light fleet vehicles. **Management Comment** AP009 Light Vehicle Fleet Policy is an Administration Policy, that is underpinned by Council Policy CP203 Light Vehicle Fleet Policy which is the guiding policy document. CP203 was reviewed in October 2024, and AP009 is currently under review with EMT (was due 30-09-2024). Management will be seeking support from Council/EMT to amalgamate CP203 and AP009 into one guiding Council Policy moving forward. **Action:** Finalise the current review of AP009 Light Vehicle Policy and moving forward seek support to amalgamate CP203 and AP009 into one guiding Council Policy.				
7.2.2	**Excessive Leave Balances** We noted three employees with excessive leave balances. From our review of the annual leave listing provided to us at the time of our review, we noted three employees who have accrued in excess of eight weeks annual leave. **Implication / Risk** The cost to Council is greater if annual leave is not paid out on a regular basis due to the cumulative effect of salary increases over a period of time. Recreational leave enhances employee performance. It is a fundamental principle of good internal control that all employees take regular holidays. **Recommendation** We recommend leave balances be managed to reduce the number of employees with excess leave due. **Management Comment** This FMSR review is up until the 31st of December 2024, however the Annual Leave Accrual Report provided was for actuals as at 30th of June 2024. Since the June 2024 accrual report was provided, Employee No. 716 has left the organisation, and as such has had the accrued annual leave paid out on termination. Employee No. 884 reduced annual leave by taking: - 91.20 hours in July 2024; and - 83.60 hours in January 2025. Employee No. 584 reduced annual leave by taking: - 68.40 hours in December 2024/January 2025. Remaining leave accruals are planned to be reduced in the coming year for both employees. The Executive, Management and Human Resources, receive monthly leave accrual reports from Payroll, who highlight those staff with excessive leave accruals. Any excessive leave accruals are discussed with the staff member, and a plan (such as a future leave form) is put in place to reduce the accrual.	**Low**	**Manager HR**	31 March 2025	**Completed**

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

Item 7.2.1 Plans and Policies

This remains the final outstanding action item requiring completion.

Following further review, the proposed approach is to retain both policies with revised intent and structure:

- Council Policy CP203 – Light Vehicle Fleet Policy will be retained and repositioned as a strategic policy, setting the overall direction and guiding principles for the Shire's light vehicle fleet.

- Administration Policy AP009 – Light Vehicle Fleet Policy will also be retained as an operational (employee compliance) policy, defining the requirements and expectations for the use of vehicles.

At the time of preparing this report, the revised policies are undergoing Executive review, with Council Policy CP203 expected to be presented to the June 2026 Ordinary Council Meeting.

An updated FMSR report will be presented to the Audit, Risk and Improvement Committee at its next scheduled meeting in September 2026, with the expectation that this report will confirm final closure of all actions arising from the FMSR.

END REPORT

10.6 Network and Internet Outage – 27th March 2026

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Reporting Officer	*Mr Shaun Hill - Manager Information Services*
Legislation	*Local Government Act 1995*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*10.6 – Risk Assessment*

Overview

This report informs the Audit and Risk Committee of a whole-of-organisation internet and network outage on 27th March 2026, its operational impact, and the work already underway to reduce the impact of similar events. The outage was caused by a fault in the carrier's network and was not the result of any failure of Shire systems. This report is provided to the Committee for information and noting only.

Change to Officer Recommendation - No Change

AUDIT & RISK COMMITTEE RESOLUTION

AAR16-26 MOVED – Cr B S Farrant SECONDED – Cr A J Jenour

THAT the Audit and Risk Committee recommends that Council:

1 Notes the network and internet outage that occurred on the 27th March 2026;

2. Notes the operational impacts of the outage; and

3. Notes the actions already underway to reduce the impact of similar events and improve the Shire's resilience.

CARRIED
5/0

For the Motion		*Against the Motion*
Cr. K A Laurentsch Cr. T G Gardiner Cr. B S Farrant Cr. M R Hutchinson Cr. A J Jenour		

Background

On 27th March 2026 the Shire lost all internet connectivity across every site for approximately six hours. The outage originated in the carrier's network during the transition of services from TPG to Vocus and was not caused by any failure of Shire equipment or systems.

Legal Implications - None.

Council Plan

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

Environment - None.

Precedents - None.

Budget Implications - None.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Business Continuity Plan (BCP)
IT Disaster Recovery Plan

Risk Assessment

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

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Report Title	Network and Internet Outage – 27th March 2026	
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Service Interruption	The outage resulted in a complete loss of internet connectivity across all Shire sites for approximately six hours, impacting access to core systems, communications, and service delivery. There is a risk that similar future outages may: – Disrupt critical services to the community – Limit Council's ability to operate effectively – Impact time-sensitive activities and statutory functions
	Legal and Compliance	Service disruptions may limit the Shire's ability to: – Meet statutory obligations and reporting timeframes – Maintain required service standards – Fulfil contractual or regulatory requirements While no breach has been identified from this incident, ongoing weaknesses could increase compliance exposure.
	Reputational	Extended outages affecting public-facing services and communications may: – Reduce community confidence in the Shire's reliability and responsiveness

TIER 2 – 'Low' or 'Moderate' Inherent Risk.	
	– Impact perceptions of governance and operational capability – Lead to increased complaints or scrutiny if service disruptions are not effectively managed.

Officer Comment

On 27th March 2026 the Shire lost all internet connectivity across every site for approximately six hours. The fault originated in the carrier's network during the transition of services from TPG to Vocus, following TPG's sale of the relevant business to Vocus. It was a configuration issue on the carrier's side, not a hardware fault, and a number of other Western Australian customers were affected by the same change activity on the day. No Shire equipment, system or configuration contributed to the outage, and no data loss or cyber security breach occurred.

The outage produced a split operating environment rather than a complete shutdown. Staff with laptops were able to work from home and continue using cloud-based services such as email and OneDrive. On-premise systems, however, could only be reached onsite. The most affected was Tardis, the records and document management system relied on heavily by areas such as building approvals. In practice this left affected staff choosing between working onsite without email or working remotely without Tardis. For most staff the disruption was manageable; for those dependent on Tardis, it was not.

The most significant impact, and the most visible to the community, was telephony. The Shire's phone system is currently on-premise, so when the site connectivity dropped the Shire was unable to divert incoming calls to the contact centre or to staff working remotely. Calls to the Shire during the outage may not have been answered. This was the sharpest exposure the incident revealed.

The incident also confirmed a known limitation in the Shire's carrier arrangements. The existing contract is essentially a consumer-grade service without the service levels or escalation pathways appropriate to critical infrastructure, which limited the Shire's ability to compel a faster response. The fault took around six hours to resolve, which is not acceptable for connectivity of this importance.

What the incident exposed:

- The operational risk carried by on-premise telephony, which cannot maintain call handling when site connectivity is lost;
- The operational risk carried by remaining on-premise systems such as Tardis, which cannot be reached when staff work remotely; and
- The inadequacy of the current carrier contract in relation to service levels and escalation.

Work already underway:

Importantly, the initiatives that address each of these weaknesses were already in progress before the outage. They are not a reaction to it.

- The Shire is replacing the on-premise phone system with a cloud-based Microsoft Teams solution, expected within the next few months. This will allow calls to be diverted to the contact centre or to staff working remotely during an outage.
- The Shire is migrating its remaining on-premise systems, including Tardis, to the cloud, with a goal of being fully cloud-based by the end of the 2026/27 financial year. Once complete, staff will be able to work remotely with full system access during a site or connectivity disruption.
- Laptops are being rolled out as the standard device for most staff, improving the Shire's ability to operate remotely during internet, building or site disruptions.

- The Shire is renewing its carrier contract with stronger, enforceable service levels and formal escalation pathways. Improved Tier 2 support is already being implemented.

Current Position

The outage was externally triggered, outside the Shire's control, and operationally disruptive. It does not call for a new course of action. The improvement path already underway directly addresses every weakness the incident exposed. Were the same event to occur once these initiatives are complete, the operational impact would be materially lower, that is, staff could work remotely with full system access, calls could be diverted, and the Shire would have stronger contractual leverage over the carrier.

END REPORT

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

None.

12. NEW BUSINESS OF AN URGENT NATURE

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

None.

13. MATTERS BEHIND CLOSED DOORS

None.

14. CLOSURE OF MEETING

The date of the next Audit, Risk and Improvement Committee Meeting will be Wednesday, 9th September 2026 at 3:30pm.

There being no further business the Chairperson declared the meeting closed at 4:22pm.

Note: Mrs Natalie Hopkins thanked Cr Mark Hutchinson for his time being a committee member of the Audit and Risk Committee. Mrs Hopkins also reminded attendees that the next meeting would include independent members and the committee's name will change to the Audit, Risk and Improvement Committee.

Shire of Dardanup

CONFIRMATION OF MINUTES

"As the person who presided at the meeting of the Audit & Risk Committee meeting held on 10 June 2026, I certify that these minutes are a true and accurate record of the proceedings of that meeting. The Committee has since been dissolved and the minutes are presented to Council for noting.

Signed: _____

(Chairman or Shire President or Other Presiding Member)