Shire of Dardanup

UNCONFIRMED

MINUTES

AUDIT, RISK & IMPROVEMENT COMMITTEE MEETING

Held

9th September 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:

- Mr Wayne Ticehurst (Independent Presiding Member)
- Mr David Price (Independent Deputy of the Presiding Member) Non-voting
- Cr S L Gillespie
- Cr K A Laurentsch
- Cr B S Farrant
- Cr T G Gardiner

- Cr R J Trevathan (Deputy/Proxy)
- Cr A L Webster (Deputy/Proxy)

AUDIT RISK AND IMPROVEMENTCOMMITTEE CHARTER

The Terms of Reference for this Committee are located in the TARDIS records system – refer to the following link: 2026 - ToR Audit, Risk and Improvement 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 AND IMPROVEMENT COMMITTEE HELD ON WEDNESDAY, 9th SEPTEMBER 2026, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 3:30PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member, Mr Wayne Ticehurst, declared the meeting open at 3:30pm and expressed his appreciation for the opportunity to preside over the newly established Committee. He acknowledged the strong governance foundation established by the previous Audit and Risk Committee and officers, noting this provides a solid basis for the Committee's work.

The Presiding Member 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). – CEO advised of emergency exits.

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

Voting Members

Mr Wayne Ticehurst	-	Independent Presiding Member
Cr Krystal A Laurentsch	-	Elected Member
Cr Tyrrell G Gardiner	-	Elected Member
Cr Stacey L Gillespie	-	Elected Member
Cr Annette L Webster	-	Elected Member (Proxy)

Non-voting Members

Mr David Price	-	Independent Deputy of the Presiding Member
Mr André Schönfeldt	-	Chief Executive Officer
Mr Theo Naudé	-	Director Infrastructure
Mrs Natalie Hopkins	-	Director Corporate and Governance
Ms Susan Oosthuizen	-	Executive Manager Development Services *[arrival 4:25pm]*
Mr Craig Johnson	-	Director Community and Economic Development
Mrs Donna Bailye	-	Manager Governance
Mr Shaun Hill	-	Manager Information Services
Mrs Cindy Barbetti	-	Corporate Excellence and Compliance Officer
Mrs Hasreen Syed Maule	-	Manager Financial Services
Mr Stephen Loiterton	-	Coordinator Emergency & Ranger Services
Mrs Amy Bywaters	-	Acting EA to CEO & SP

Members of the Public

Mr James Cottrill	-	Principal – Internal Audit, IT Audit & Risk Consulting at Stantons *[via Teams]*

2.2 Apologies

Cr Bradley S Farrant	-	Elected Member

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 – 10th June 2026

Officer Comment

The Audit and Risk Committee ceased as a Committee on the 30th June 2026 and the Audit, Risk & Improvement Committee was established by Council on 30th June 2026 at the Ordinary Council Meeting dated 27th May 2026 [Res: 117-26]. As the former Audit & Risk Committee no longer exists, the final minutes of the committee cannot be confirmed by that Committee. Accordingly, the minutes are presented to Council to receive and note.

AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 01-26 MOVED – Cr K A Laurentsch SECONDED – Cr S L Gillespie

THAT the Minutes of the Audit & Risk Committee Meeting held on 10th of June 2026, be confirmed as true and correct subject to no corrections.

Carried
5/0

For the Motion		*Against the Motion*
Mr W Ticehurst Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

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:

The Presiding Member, Mr Wayne Ticehurst, asked the Committee members if there were any Declarations of Interest to be made.

- *Chief Executive Officer, Mr André Schönfeldt, declared an Impartiality Interest in item 10.3 – 2025 Financial Management Systems Review – Final Update Report, as he has engaged in their services in a personal capacity.*

10. REPORTS OF OFFICERS AND COMMITTEES

PROCESS

Note: The Independent Presiding Member advised that Item 10.2 – 2026 Governance Health Review would be brought forward in the order of business to accommodate Mr James Cottrill, Principal – Internal Audit, IT Audit & Risk Consulting at Stantons, who was engaged by the Shire to undertake the independent Governance Health Review and had joined the meeting remotely via Teams to speak to the matter.

10.2 2026 Governance Health Review

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Reporting Officer	*Mrs Donna Bailye - Manager Governance*
Legislation	*Local Government Act 1995*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix ARIC: 10.2 – Risk Assessment* *Confidential Attachment A – Under Separate Cover - 2026 Governance Health Review Report (Stantons)* *Confidential Attachment B – Under Separate Cover - Forward Improvement Plan (FIP)*

Overview

This report presents the outcomes of the 2026 Governance Health Review conducted by Stantons and seeks Council's review, through the Audit, Risk and Improvement Committee, of the findings and recommendations, and acknowledgment of management's proposed response approach and Forward Improvement Plan (FIP) developed to address the review outcomes.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDATION & AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 02-26 MOVED – Cr T G Gardiner SECONDED – Mr W Ticehurst

THAT the Audit, Risk and Improvement Committee recommends that Council:

1. **Receives the 2026 Governance Health Review Report prepared by Stantons, as provided for Under Separate Cover (Confidential Attachment A).**

2. **Acknowledges the findings and recommendations identified in the 2026 Governance Health Review Report, as provided for Under Separate Cover (Confidential Attachment A).**

3. **Acknowledges management's proposed approach to addressing the findings through the Forward Improvement Plan (FIP) as provided for Under Separate Cover (Confidential Attachment B).**

4. Requests that progress reports against the Forward Improvement Plan (FIP) be presented to future Audit, Risk and Improvement Committee meetings until all actions have been completed or otherwise resolved.

Carried
5/0

For the Motion		*Against the Motion*
Mr W Ticehurst Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

Note: Principal Internal Audit, IT Audit & Risk Consulting at Stantons, Mr James Cottrill, left the meeting at 3:53pm and did not return.

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. It also supports the Shire's commitment to continuous improvement and alignment with legislative requirements and better practice standards.

The audit found that the Shire has established a generally sound governance framework, with most areas assessed as "Achieved" or "Mostly Achieved". However, a number of findings and business improvement opportunities were identified to further strengthen governance maturity, particularly in relation to policy alignment, documentation, risk integration, and internal controls.

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 (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 ARIC: 10.2) 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 address the identified governance and control weaknesses may result in financial impacts, including inefficient procurement outcomes, control failures, or exposure to fraud or error. Additionally, future remediation costs may increase if issues are not addressed in a timely manner.
	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 the identified governance improvements are not effectively addressed, there is a risk of reduced stakeholder confidence, including from the community, Council, auditors, and regulatory bodies. This may impact the Shire's reputation for transparency, accountability, and good governance.

Officer Comment

The 2026 Governance Health Review (refer Confidential Attachment A – Under Separate Cover) confirms that the Shire has a generally sound governance framework, with most areas assessed as "Achieved" or "Mostly Achieved".

The review identified targeted improvement opportunities across several areas, including:

- Policy alignment and timely review;
- Procurement evaluation and documentation practices;
- Strategic risk visibility and ownership;
- Formalisation of governance frameworks (e.g. compliance and cyber security); and
- Internal control effectiveness, particularly over sensitive system access

Only one area was assessed as High risk, indicating that the Shire is operating from a strong governance base with focused improvements required.

Management accepts the findings and recommendations and has developed a structured internal improvement program to address all audit outcomes. A Forward Improvement Plan (FIP) (refer Confidential Attachment B – Under Separate Cover) has been developed to translate the findings, recommendations and business improvement opportunities into a coordinated implementation program. The FIP assigns accountability, target completion dates, success measures and reporting requirements across fifteen governance themes and provides a structured mechanism for monitoring implementation progress through the Audit, Risk and Improvement Committee.

Key initial focus areas include:

- Strengthening internal controls over payroll and system access'
- Progressing governance framework enhancements (e.g. ARIC transition, policy framework); and
- Enhancing risk management practices and ownership.

Progress against audit actions will be reported to the Audit, Risk and Improvement Committee (ARIC) as part of ongoing governance and assurance reporting.

The review provides valuable independent assurance and supports the Shire's continued progression toward a more mature and integrated governance framework.

END REPORT

PROCESS

Note: The Independent Presiding Member returned to the order of business at 3:53pm and advised the committee that the next item for consideration would be item 10.1 – 2025 Compliance Audit Return.

10.1 2025 Compliance Audit Return

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Reporting Officer	*Mrs Donna Bailye - Manager Governance*
Legislation	*Local Government Act 1995* *Local Government (Audit) Regulations 1996*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix ARIC: 10.1A – 2025 Compliance Audit Return* *Appendix ARIC: 10.1B – LG Inspector – CAR Requirements Guideline (June 2026)* *Appendix ARIC: 10.1C – Risk Assessment*

Overview

This report presents the Shire of Dardanup's 2025 Compliance Audit Return (CAR) (refer Appendix ARIC:10.1A*)* for review by the Audit, Risk and Improvement Committee (ARIC) and subsequent adoption by Council.

The report outlines compliance outcomes for the reporting period and identifies improvement actions to strengthen governance and internal controls.

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

OFFICER RECOMMENDATION & AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 03-26 MOVED – Cr S L Gillespie SECONDED – Cr K A Laurentsch

THAT the Audit and Risk Committee recommend that Council:

1. **Receives the 2025 Compliance Audit Return (CAR) report, for the reporting period 1st January 2025 to 31st December 2025.**

2. **Adopts the 2025 Compliance Audit Return (CAR) as provided for in (Appendix ARIC: 10.1A).**

3. **Authorises the Chief Executive Officer to submit the adopted Compliance Audit Return (CAR) for the period 1st January 2025 to 31st December 2025, to the Local Government Inspector by the statutory deadline of 30th September 2026.**

Carried
5/0

For the Motion		Against the Motion
Mr W Ticehurst Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

Background

The Shire of Dardanup is required to complete an annual compliance audit for the period 1st January to 31st December in accordance with the *Local Government (Audit) Regulations 1996*. The Compliance Audit Return (CAR) is a statutory self-assessment mechanism designed to measure a local government's compliance with key legislative requirements under the *Local Government Act 1995* and associated regulations.

Ordinarily, the adopted CAR is required to be submitted to the relevant regulatory authority by 31st March following the end of the reporting period. However, for the 2025 reporting period, the Local Government Inspector has extended the submission deadline to 30th September 2026, in line with transitional changes to the compliance framework and the establishment of the Inspectorate.

The 2025 CAR marks a period of transition within the local government compliance environment, including the introduction of the Local Government Inspector and associated changes to reporting requirements. These reforms include updated audit scope provisions and the introduction of a centralised process for the submission and oversight of CARs.

In addition, the 2025 reporting period represents the first CAR to be considered under the Shire's Audit, Risk and Improvement Committee (ARIC) governance framework, which commenced on 1st July 2026. Under this framework, ARIC is responsible for reviewing the completed Compliance Audit Return and reporting to Council with recommendations regarding its adoption.

The Local Government Inspector has also provided guidance outlining the required process for completing, reviewing, adopting and submitting the CAR, including the requirement for ARIC review and Council adoption prior to submission. This guidance is provided as an attachment to this report to support Elected Member and Committee understanding of the statutory process and governance responsibilities (Appendix ARIC:10.1B).

Legal Implications

The preparation, review and submission of the CAR is prescribed under the *Local Government (Audit) Regulations 1996,* regulations 14 to 15A.

14. Compliance audits

*(1) A local government must carry out an audit (a **compliance audit**) of the local government's compliance with the statutory requirements prescribed by regulation 13 for the period beginning on 1 January and ending on 31 December in each year.*

(1A) Subregulation (1) is subject to regulation 15A.

(2) After a local government has carried out a compliance audit, the CEO must —
- *(a) prepare a compliance audit return in a form approved by the Inspector; and*
- *(b) give a copy of the compliance audit return to the local government's audit, risk and improvement committee.*

(3) The audit, risk and improvement committee must —
- *(a) review the compliance audit return; and*
- *(b) report to the council the results of that review.*

(4) When reporting to the council, the audit, risk and improvement committee must make any recommendations that the committee considers appropriate in relation to the compliance audit return.

(5) The council must consider the compliance audit return and the results of the audit, risk and improvement committee's review (including any recommendations) at a meeting of the council.

(6) The council must —

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

(b) either —

(i) adopt the compliance audit return; or

(ii) adopt the compliance audit return subject to amendments proposed by the council.

[Regulation 14 inserted: SL 2025/211 r. 14; amended: SL 2025/208 r. 30.]

15. Signed compliance audit return and other information must be given to Inspector

(1) After a compliance audit return has been adopted by the council under regulation 14(6)(b), the local government must give the following information to the Inspector —

(a) a copy of the compliance audit return (or amended compliance audit return, if applicable), signed by the mayor or president and by the CEO;

(b) any recommendations made under regulation 14(4) after the audit, risk and improvement committee has reviewed the compliance audit return;

(c) a copy of the relevant section of the minutes of the meeting at which the compliance audit return was adopted by the council;

(d) any additional information explaining or qualifying the compliance audit.

(2) The information must be given to the Inspector no later than 31 March next following the period to which the return relates.

(3) The Inspector may extend the 31 March deadline.

[Regulation 15 inserted: SL 2025/211 r. 14.]

15A. Inspector may limit prescribed statutory requirements to be covered by compliance audit

(1) In this regulation —

***period** means a period for which a compliance audit is required under regulation 14(1) that begins on or after 1 January 2026;*

***prescribed statutory requirement** means a statutory requirement prescribed by regulation 13.*

(2) The Inspector may, in respect of a period, determine that a compliance audit —

(a) is not to cover all of the prescribed statutory requirements; and

(b) is instead to cover only the prescribed statutory requirements specified in the determination.

(3) The determination must be reflected in the form approved under regulation 14(2)(a) for the period.

(4) Subregulation (5) applies if —

(a) the Inspector makes determinations under subregulation (2) in respect of 3 consecutive periods; and

(b) there is a prescribed statutory requirement that is specified under subregulation (2)(b) in none of those determinations.

(5) If the Inspector makes a determination under subregulation (2) in respect of the period immediately after the 3 consecutive periods, the prescribed statutory requirement referred to in subregulation (4)(b) must be specified under subregulation (2)(b) in that determination (without limiting the other prescribed statutory requirements that may be specified).

[Regulation 15A inserted: SL 2025/208 r. 31.]

Under Regulation 16(a)(ii) of the *Local Government (Audit) Regulations 1996,* the ARIC is responsible for receiving, reviewing and recommending to Council actions to be taken in relation to compliance audits.

16. Functions of audit, risk and improvement committee

An audit, risk and improvement committee has the following functions —

(a) to receive and review reports on, and recommend to the council actions to be taken in relation to —
(i) audits under Part 7 of the Act; and
(ii) compliance audits; and
(iii) reviews under regulation 17;

The adopted 2025 CAR must be lodged by 30th September 2026.

Failure to comply may constitute a breach of statutory obligations.

Council Plan

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

Environment - None.

Precedents

The Shire has historically adopted an annual CAR under its former Audit and Risk Committee structure. This is the first Compliance Audit Return presented under the Audit, Risk and Improvement Committee (ARIC) framework.

Budget Implications

The preparation, review and reporting of the CAR is undertaken using existing staff resources within the Corporate and Governance Directorate.

While no direct financial cost is associated with the officer recommendation, officer time is required to coordinate responses, verify supporting documentation, and facilitate review through the Audit, Risk and Improvement Committee (ARIC) and Council processes.

These activities form part of standard governance and compliance functions and are accommodated within existing operational budgets.

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 ARIC:10.1C) for full assessment document.

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Title	2025 Compliance Audit Return	
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	Non-compliance with statutory reporting requirements may result in regulatory scrutiny or intervention, which could lead to indirect financial implications for the Shire.
	Legal and Compliance	Risk of failing to meet legislative obligations under the *Local Government (Audit) Regulations 1995*
	Legal and Compliance	The CAR is not completed, reviewed, adopted, or submitted in accordance with legislative requirements or within prescribed timeframes.
	Legal and Compliance	Instances of non-compliance are not identified, disclosed, or appropriately addressed through the compliance audit process.
	Reputational	Risk of adverse audit findings or regulatory scrutiny could reflect negatively on the Shire's reputation.

Officer Comment

The 2025 CAR has been prepared by the Chief Executive Officer in accordance with statutory requirements, with input from responsible officers across the organisation to assess compliance against all prescribed legislative obligations.

The completed CAR (Appendix ARIC: 10.1A) has been reviewed to ensure that responses are supported by appropriate evidence, including policies, registers, procedures and publicly available documentation.

Based on the finalised assessment, the Chief Executive Officer has determined that:

- the Shire has achieved a satisfactory level of compliance across the audited areas;
- no material breaches of legislative obligations have been identified; and
- a number of minor compliance gaps and improvement opportunities have been identified, primarily relating to documentation, policy currency, and administrative consistency.

Where minor compliance gaps are identified, improvement actions are required to be developed and implemented to strengthen governance practices, internal controls and legislative compliance.

The following minor compliance matters were identified during 2025 and are included in this 2025 annual compliance report. Corrective actions have subsequently been implemented to address the matters identified:

a) In accordance with Regulation 13A of the *Local Government (Financial Management) Regulations 1996:*

Purchasing Card reporting has been enhanced to provide greater transparency, ensuring each transaction is clearly identified in the Agenda Council Report – Schedule of Paid Accounts.

Transactions relating to fuel purchases for the Shire's brigades, which were previously consolidated, are now itemised separately within the report, consistent with the reporting approach applied to the Ampol Fuel Account.

While the information provided remains compliant with Regulation 13A, the inclusion of the full transaction listing provides greater transparency and clarity regarding the nature and purpose of individual expenditure.

b) In accordance with Regulations 11A and 12 of the *Local Government (Functions and General) Regulations 1996:*

An instance of non-compliance with Council Policy CP034 – Purchasing Policy was identified in November 2025, involving multiple Purchase Orders being raised for a single supply. A number of the Purchase Orders were individually valued at less than $5,000; however, when considered collectively, they related to a single procurement.

While there was no direct financial loss to the Shire, and the procurement was determined to be inadvertent rather than deliberate, the procurement did not comply with the requirements of Council Policy CP034.

The matter was reported to the Audit & Risk Committee in March 2026 and subsequently reported to Council. Ordinary Council Meeting Resolution 71-26, dated 25th March 2026, included the non-compliant procurement matter relating to Council Policy CP034 – Procurement Policy.

In addition, where instances of significant non-compliance are identified, the Shire acknowledges its obligation to self-report these matters to the Local Government Inspector, including details of the matter and any corrective actions undertaken or proposed, in accordance with regulatory guidance.

At present, the Shire has not identified any instances of significant non-compliance requiring self-reporting to the Inspector.

These outcomes form the basis of the Compliance Audit Return presented for review.

The Audit, Risk and Improvement Committee (ARIC) is required to review the 2025 CAR and be satisfied that it presents a fair and accurate reflection of the Shire's compliance obligations for the reporting period and that appropriate systems and processes are in place to support this position. The Committee is to make its recommendation that Council adopt the 2025 Compliance Audit Return and endorse the associated improvement actions.

Following adoption by Council, the 2025 CAR, together with supporting Council meeting minutes, will be submitted to the Local Government Inspector within the statutory timeframe.

This process supports ongoing improvement in governance, risk management and legislative compliance, consistent with the Shire's commitment to best practice under the ARIC framework.

END REPORT

10.2 2026 Governance Health Review

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Reporting Officer	*Mrs Donna Bailye - Manager Governance*
Legislation	*Local Government Act 1995*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix ARIC: 10.2 – Risk Assessment* *Confidential Attachment A – Under Separate Cover - 2026 Governance Health Review Report (Stantons)* *Confidential Attachment B – Under Separate Cover - Forward Improvement Plan (FIP)*

PROCESS

Note: This item was dealt with earlier in the meeting [refer page 4 of these Minutes] to accommodate the attendance of the external reviewer, Mr James Cottrill of Stantons, who joined the meeting remotely via Teams.

10.3 2025 Financial Management Systems Review – Final 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	*Appendix ARIC: 10.3 - Risk Assessment* *Confidential Attachment 'C' – Under Separate Cover' AMD Report*

DECLARATION OF INTEREST

Chief Executive Officer, Mr André Schönfeldt, declared an Impartiality Interest in this Item.

Please refer to Part 11 'Declaration of Interest' for full details.

Overview

This report provides the Audit, Risk and Improvement Committee with an update on the findings from the Financial Management System Review (FMSR) audit undertaken in February 2025 and confirms that all management actions arising from the review have now been completed.

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

OFFICER RECOMMENDATION & AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 04-26 MOVED – Cr T G Gardiner SECONDED – Cr A L Webster

THAT the Audit, Risk and Improvement 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. **Acknowledges that all actions arising from the 2025 Financial Management Systems Review have been completed and the review findings can now be formally closed.**

Carried
5/0

For the Motion		*Against the Motion*
Mr W Ticehurst Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

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 former 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 remained committed to reporting on the progression and closure of the 2025 FMSR findings, as this commitment arose from a formal Council resolution rather than the repealed regulation.

This report has been compiled in direct response to that resolution and confirms that all actions arising from the 2025 Financial Management Systems Review have now been completed.

Legal Implications -

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

- Pre 2025 Reforms:

5 (2) The CEO is to —

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

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

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

- Post 2025 Reforms:

5 (2) The CEO is to —

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

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

[(c) deleted]

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

As at 01 Jan 2026

Council Plan

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

Environment - None.

Precedents

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

Budget Implications

Implementation of the findings arising from the 2025 Financial Management Systems Review (FMSR) has been completed within existing staff workloads, and no additional budget allocation was required beyond existing 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 within the Shire's Audit Fees budget allocation in the financial year in which the consolidated Regulation 17 review is undertaken. This ensures that 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 ARIC: 10.2) for full assessment document.

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

Officer Comment

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** The Shire has strong segregation of duties, that span across the Finance and Governance departments in relation to cash and	**Low**	**Manager Governance**	1 March 2025	**Completed**

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	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 all staff and monitored on an ongoing basis to ensure compliance with stated procedures. We suggest it may be	**Moderate**	**Director Corporate & Governance**	31 December 2025	**Completed**

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	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 scored 3.1 out of 10 by the tender evaluation panel, and the quoted cost accepted exceeded budget by 10.2% or $26,485.	**Low**	**Director Corporate & Governance**	Original due date: 31 December 2025 Extended to: 30 June 2026	**Now Completed**

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	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. 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.	**Low**	**Manager HR**	31 March 2025	**Completed**

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	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 action item has now been completed.

Following further review, the decision was made to retain both policies with revised intent and structure:

- **Council Policy CP203 – Light Vehicle Fleet Policy** has been retained and repositioned as a strategic policy, establishing the overall direction and guiding principles for the Shire's light vehicle fleet.
- **Administration Policy AP009 – Light Vehicle Fleet Policy** has been retained as an operational (employee compliance) policy, defining the requirements and expectations for the use of Shire vehicles.

Council Policy CP203 was considered and adopted by Council at its June 2026 Ordinary Council Meeting [Res 144-26], with Administration Policy AP009 subsequently endorsed by the CEO in June 2026, thereby completing the final outstanding action arising from the 2025 Financial Management Systems Review.

Accordingly, all actions arising from the 2025 Financial Management Systems Review have now been implemented and closed, satisfying the reporting requirements of Council Resolution OCM 61-25. No further progress reports are required in relation to the 2025 FMSR.

END REPORT

10.4 Biannual Compliance Task Report

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

Overview

This report presents the biannual compliance activities undertaken during the first half of 2026 and provides the Audit, Risk and Improvement Committee with assurance of the Shire's continued adherence to statutory and governance obligations.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDATION & AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 05-26 MOVED – Cr K A Laurentsch SECONDED – Cr T G Gardiner

THAT the Audit, Risk and Improvement Committee recommend that Council receives the Biannual Compliance Task Report, as provided in the (Confidential Attachment D – Under Separate Cover), and notes the compliance tasks identified for the period 1st January 2026 to 30th June 2026.

Carried
5/0

For the Motion		*Against the Motion*
Mr W Ticehurst Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

Background

The Audit, Risk and Improvement Committee has been established under the updated legislative framework and replaces the former Audit and Risk Committee. As part of its governance, risk and compliance oversight responsibilities, the Committee is required to receive regular reports on the Shire's legislative compliance activities. This report is the first biannual compliance report presented to the Committee in its current form.

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

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

The Compliance Calendar is provided as a confidential attachment as it contains detailed information regarding compliance obligations, responsible officers, monitoring activities and internal processes. Maintaining the confidentiality of this information supports the effective management and oversight of the Shire's compliance framework.

In accordance with clause 5.9(2) of the Audit, Risk and Improvement Committee Charter (Terms of Reference), the Committee is to receive a biannual compliance report. This report provides the Committee with an update on the progress of the compliance tasks outlined within the Annual Compliance Calendar.

Legal Implications

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

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

As at 01 Jan 2026

Council Plan

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

Environment - None.

Precedents

The Audit and Risk Committee received the previous biannual compliance report (incorporating the period from 1st July 2025 to 31st December 2025) at the March 2026 meeting. This report is the first biannual compliance report presented to the Audit, Risk and Improvement Committee.

Budget Implications

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

Budget – Whole of Life Cost

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

Council Policy Compliance

There is no current Council Policy relevant to this item.

Risk Assessment

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

Tier 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Event	Biannual Compliance Task Report	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	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

This report presents the compliance activities undertaken during the period 1st January 2026 to 30th June 2026. Further detail is provided in the (Confidential Attachment D - Under Separate Cover), including the specific compliance tasks identified. Responsible officers have assigned an assessment rating to each task and included explanatory comments to evidence progress toward meeting legislative requirements.

The Compliance Calendar identified over 300 legislative and governance compliance obligations due during the period 1st January 2026 to 30th June 2026. Management advises that the majority of tasks were completed by the required due date, with no significant compliance issues identified. A small number of compliance obligations remain partially completed and are scheduled for completion during the second half of 2026. These actions have been assigned to responsible officers and will continue to be monitored through the Shire's compliance management framework.

The report provides assurance that the Shire continues to maintain appropriate systems and processes for monitoring legislative compliance in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*. The next biannual compliance report will be presented to the Committee in March 2027.

END OF REPORT

10.5 Internal Audit Strategic Plan

Reporting Department	*Executive*
Responsible Officer	*Mr André Schönfeldt - Chief Executive Officer*
Reporting Officer	*Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix ARIC: 10.5A – Internal Audit Strategic Plan* *Appendix ARIC: 10.5B – Risk Assessment*

Overview

This report presents the Shire's 2026/27-2029/30 Internal Audit Strategic Plan and the accompanying 2026/27 Internal Audit Annual Work Plan.

The Internal Audit Strategic Plan provides a structured, risk-based framework for internal audit activities over a rolling ~~three-year~~ four-year period. The Strategic Plan establishes the priorities, principles and methodology used to determine audit coverage, while the Annual Work Plan identifies the specific assurance and advisory activities proposed for delivery during the 2026/27 financial year.

The Plan has been redesigned to better align with contemporary internal audit and governance practices and reflects the Shire's risk profile, legislative obligations, organisational priorities and available internal audit resources.

OFFICER RECOMMENDATION

That the Audit, Risk and Improvement Committee recommends that Council:

1. Receives the September 2026 report relating to the Shire of Dardanup Internal Audit Strategic Plan and Annual Internal Audit Work Plan;

2. Endorses the 2026/27-2029/30 Internal Audit Strategic Plan incorporating the 2026/27 Annual Internal Audit Work Plan (Appendix ARIC: 10.5A).

Discussion:

The Independent Presiding Member, Mr Wayne Ticehurst, proposed an alternative motion to clarify the distinction between the four-year Internal Audit Strategic Framework and the annual Internal Audit Work Plan, and sought the Committee's feedback.

Director Corporate & Governance, Mrs Natalie Hopkins, advised that the Strategic Framework is a four-year plan, rather than three years as stated in the report, with detailed audit activities identified for the first year, and supported the alternative resolution.

Corporate Excellence & Compliance Officer, Mrs Cindy Barbetti, apologised for the oversight and supported the alternative resolution, noting the Framework would operate as a four-year rolling plan with an annual Work Plan. It was also noted that the reporting department would change to the Office of the Executive, with Internal Audit reporting directly to the CEO.

The CEO supported renaming the Strategic Plan as a Strategic Framework. Cr T G Gardiner noted that the Framework would not require annual re-endorsement.

Change to Officer Recommendation

As per *Local Government (Administration) Regulations 1996 11(da)* Council records the following reasons for amending the Officer Recommendation:

- To clarify that the Internal Audit Strategic Framework covers the four-year period 2026/27–2029/30, with the detailed Annual Internal Audit Work Plan applying to 2026/27.

- To separately identify the 2026/27 Annual Internal Audit Work Plan and provide for subsequent annual Work Plans to be presented to ARIC through the annual review process.

- To rename the Internal Audit Strategic Plan as the Internal Audit Strategic Framework to better reflect its purpose and four-year strategic scope.

ALTERNATIVE MOTION AND AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 06-26 MOVED – Mr W Ticehurst SECONDED – Cr S L Gillespie

That the Audit, Risk and Improvement Committee recommends that Council:

1. **Receives the September 2026 report relating to the Internal Audit Strategic Plan and Annual Internal Audit Work Plan;**

2. **Endorses the Internal Audit Strategic Plan for 2026/27–2029/30 (Appendix ARIC: 10.5A) subject to it being renamed to be the Internal Audit Strategic Framework for 2026/27-2029/30;**

3. **Endorses the 2026/27 Annual Internal Audit Work Plan contained in (Appendix ARIC: 10.5A); and**

4. **Notes that subsequent Annual Internal Audit Work Plans will be presented to ARIC for consideration through the annual review process.**

Carried
5/0

For the Motion		*Against the Motion*
Mr W Ticehurst Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

Background

Internal Audit provides independent and objective assurance and advisory services designed to strengthen governance, risk management, internal controls and legislative compliance across the organisation. The function supports Council, the Chief Executive Officer, Executive Management Team and the Audit, Risk and Improvement Committee by evaluating the effectiveness of governance processes and identifying opportunities for continuous improvement.

The framework is a formal rolling ~~three-year~~ four-year Internal Audit Strategic Plan supported by an annual Internal Audit Work Plan. This approach provides transparency regarding audit priorities, coverage methodology and assurance objectives, whilst retaining flexibility to respond to emerging risks, legislative changes and organisational priorities.

The Internal Audit planning framework (Appendix ARIC: 10.5A) consists of:

- A rolling ~~three-year~~ four-year Internal Audit Strategic Plan which establishes the strategic direction, audit priorities and audit coverage methodology; and
- An Annual Internal Audit Work Plan that identifies the specific assurance and advisory reviews to be undertaken during the financial year.

Legal Implications

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

17. CEO to review certain systems and procedures

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

(a) financial management;

(b) legislative compliance;

(c) risk management.

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

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

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

Local Government (Financial Management) Regulations 1996, Regulations 5 and 6:

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; and

(c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and

(d) to ensure proper accounting for municipal or trust —

(i) revenue received or receivable; and

(ii) expenses paid or payable; and

(iii) assets and liabilities;

and

(e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and

(f) for the maintenance of payroll, stock control and costing records; and

(g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

(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.]

6. Audits and performance review of accounting staff etc., who may conduct

A local government is to ensure that an employee to whom is delegated responsibility for the day to day accounting or financial management operations of a local government is not also delegated the responsibility for —

(a) conducting an internal audit; or

(b) reviewing the discharge of duties by that employee,

or for managing, directing or supervising a person who carries out a function referred to in paragraph (a) or (b).

Council Plan

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

Environment - None.

Precedents

An Internal Audit Strategic Plan and Annual Internal Audit Work Plan are presented to the Audit, Risk and Improvement Committee annually. The most recent Plan and Work Plan were considered by the former Audit and Risk Committee in September 2025.

Budget Implications

The Internal Audit function is delivered through existing staff resources and forms part of the Corporate Excellence & Compliance Officer role. Accordingly, implementation of the Internal Audit Strategic Plan and Annual Internal Audit Work Plan is accommodated within existing operational budgets and supporting corporate systems.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Internal Audit Strategic Plan

Risk Assessment

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

TIER 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	2026/27-2029/30 Internal Audit Strategic Plan
Inherent Risk Rating (prior to treatment or control)	High (12 - 19)
Risk Action Plan (treatment or controls proposed)	Implement the Internal Audit Strategic Plan and Annual Internal Audit Work Plan, undertake risk-based assurance reviews, monitor audit recommendations and report outcomes through established governance processes including the Audit, Risk and Improvement Committee.
Residual Risk Rating (after treatment or controls)	Moderate (5 - 11)

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Category Assessed Against	Financial	Failure to maintain an effective internal audit function may reduce the Shire's ability to identify and address financial control deficiencies, increasing exposure to financial loss, inefficient use of resources and adverse audit outcomes.
	Legal and Compliance	Failure to maintain an appropriate internal audit and assurance framework that supports compliance with legislative and regulatory obligations.
	Reputational	Inadequate assurance activities may result in governance or compliance issues remaining unidentified, potentially affecting stakeholder confidence in the Shire's governance framework.

Officer Comment

The 2026/27-2029/30 Internal Audit Strategic Plan (Appendix ARIC: 10.5A) represents a refresh of the Shire's Internal Audit framework. The revised framework establishes a clearer and more structured approach to internal audit planning, ensuring assurance activities remain aligned with the Shire's strategic objectives, risk profile, legislative obligations and governance priorities.

Key enhancements incorporated within the refreshed Plan include:

- Clear articulation of the purpose, objectives and principles of the Internal Audit function.
- Formalisation of a risk-based audit planning methodology.
- Inclusion of audit coverage prioritisation criteria to support consistent audit selection and resource allocation.
- Increased emphasis on governance, risk management, compliance and organisational improvement activities.
- Consideration of Auditor General reports, sector guidance and emerging risks in the development of future audit activities.

The Internal Audit Strategic Plan has also been reviewed against the requirements of Regulation 6 of the *Local Government (Financial Management) Regulations 1996*. To strengthen the independence and objectivity of the Internal Audit function and support legislative compliance, Internal Audit will transition from reporting through the Director Corporate & Governance to reporting directly to the Chief Executive Officer. This change aligns the function with contemporary governance practices and reinforces the independent assurance role provided to the Audit, Risk and Improvement Committee.
In developing the Plan, consideration has been given to the size, complexity and risk profile of the Shire together with the resources available to the Internal Audit function. The Internal Audit function is currently delivered through a single-resource model. Accordingly, audit activities have been prioritised using a risk-based approach to ensure available resources are directed towards areas of greatest legislative, governance and organisational significance. It is neither practical nor necessary for all business functions, systems and processes to be audited within a single planning cycle. The Strategic Plan therefore provides a framework for progressively delivering assurance coverage across the organisation over time.

The proposed 2026/27 Annual Internal Audit Work Plan focuses on areas assessed as presenting elevated governance, compliance and operational risk and includes reviews relating to:

- Privacy and Personal Information Management;
- Sundry Fuel Card Controls;
- Public Access to Information;
- User Access Management and Segregation of Duties;

- 2026 Governance Health Review Implementation; and
- Gift Register and Gift Disclosure Compliance.

The Annual Internal Audit Work Plan remains flexible and may be amended throughout the year in response to emerging risks, significant incidents, legislative changes, organisational priorities, management requests or matters identified by the Audit, Risk and Improvement Committee.

END REPORT

10.6 2026 Risk Management Governance Framework

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins - Director Corporate & Governance*
Reporting Officer	*Mrs Cindy Barbetti - Corporate Excellence & Compliance Officer*
Legislation	*Local Government Act 1995* *Local Government (Audit) Regulations 1996*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix ARIC: 10.6A – 2026 Risk Management Governance Framework – for adoption (Clean Version)* *Appendix ARIC: 10.6B – 2026 Risk Management Governance Framework – for adoption (With Tracked Changes)* *Appendix ARIC: 10.6C – 2023 Risk Management Governance Framework (Superseded)* *Appendix ARIC: 10.6D – Risk Assessment*

Overview

The Risk Management Governance Framework (the Framework) is reviewed periodically to ensure the Shire's risk management system remains effective, contemporary and aligned with organisational, legislative and governance requirements.

A triennial review of the Framework has now been completed. The review was informed by risk management maturity discussions conducted during June 2026, contemporary LGIS guidance, the Shire's 2026 Governance Health Review, and consultation with management and executive staff. The draft Framework was subsequently presented to the Executive Management Team in July 2026 and endorsed for progression through the Shire's governance approval process.

The purpose of this report is to present the outcomes of the review and seek the Audit, Risk and Improvement Committee's recommendation that Council endorse the updated 2026 Risk Management Governance Framework.

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

OFFICER RECOMMENDATION & AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 07-26 MOVED – Cr T G Gardiner SECONDED – Cr A L Webster

THAT the Audit, Risk and Improvement Committee recommends that Council:

1. **Receives the September 2026 report relating to the 3-yearly review of the Shire of Dardanup Risk Management Governance Framework.**

2. **Endorses the 2026 Risk Management Governance Framework as provided for in (Appendix ARIC:10.6A).**

3. **Supersedes the 2023 Risk Management Governance Framework as provided for in (Appendix ARIC:10.6C).**

4. **Receives a summary 'Dashboard' report that summaries the 15 Risk Profile Themes on a 6-monthly basis through the Audit, Risk and Improvement Committee.**

Carried
5/0

For the Motion		Against the Motion
Mr W Ticehurst Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

Background

The Shire maintains a Risk Management Governance Framework to establish the structures, responsibilities, risk assessment methodology and reporting processes used to identify, assess, treat and monitor risk across the organisation.

The Framework forms a key component of the Shire's governance framework and assists the Chief Executive Officer in meeting obligations under Regulation 17 of the *Local Government (Audit) Regulations 1996*.

The existing Framework (Appendix ARIC:10.6C) was last comprehensively reviewed in June 2023 and is due for review in accordance with the Shire's triennial review cycle.

Legal Implications

Local Government (Audit) Regulations 1996

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.]

Council Plan

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

Environment - None.

Precedents

The Risk Management Governance Framework was previously reviewed and endorsed by Council in 2019 [Res: 250-19] and 2023 [Res: 168-23].

Budget Implications

The triennial review of the Risk Management Governance Framework has been completed within approved budget allocations.

The review process included an externally facilitated risk maturity workshop at a cost of $6,312. No additional budget allocation was required as a result of the proposed Framework amendments. All other costs associated with the review, development and update of the Framework were managed internally through existing staffing resources.

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 ARIC: 10.6D) for full assessment document.

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Report Title	2026 Risk Management Governance Framework	
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 maintain a contemporary and effective Risk Management Governance Framework may reduce the Shire's ability to identify, assess and manage financial risks, potentially resulting in unplanned financial losses, ineffective resource allocation, cost overruns, procurement issues, or increased insurance and claims exposure.
	Service Interruption	Inadequate risk management processes may increase the likelihood of operational disruptions and impacts to service delivery.
	Legal and Compliance	Failure to periodically review and maintain the Framework may result in risk management practices becoming inconsistent with contemporary governance standards, legislative obligations and recognised best practice.
	Reputational	An outdated or ineffective risk management framework may undermine stakeholder confidence in the Shire's governance arrangements and decision-making processes.

Officer Comment

To assist the Committee's review of the proposed Framework, the following documents are provided:

- **Appendix ARIC: 10.6A:** Proposed 2026 Risk Management Governance Framework (clean version).
- **Appendix ARIC: 10.6B:** Proposed 2026 Risk Management Governance Framework showing amendments arising from the triennial review (tracked changes).
- **Appendix ARIC: 10.6C:** 2023 Risk Management Governance Framework, provided for comparative purposes (superseded).

Review Process

The triennial review of the Risk Management Governance Framework was informed by:

- a risk maturity workshop undertaken in June 2026;
- contemporary LGIS risk management guidance;
- outcomes of the 2026 Governance Health Review;
- consultation with management and executive staff.

The draft Framework was presented to the Executive Management Team in July 2026 for review and endorsement. Feedback received through the review process has been incorporated into the proposed Framework where appropriate.

The review confirmed that the Framework remains aligned with the principles of *AS/NZS ISO 31000:2018 Risk Management Guidelines* and continues to reflect contemporary risk management practices appropriate to the Shire's operations and risk environment.

Key Changes

Key amendments incorporated into the proposed Framework include:

- clarification of governance, reporting and accountability arrangements;
- formal inclusion of project management responsibilities within the risk management structure;
- refinement of risk escalation and reporting pathways;
- review and update of risk assessment criteria and acceptance requirements;
- enhancement of risk monitoring and reporting requirements; and
- consolidation of the Project Management and Change Management operational risk profiles into a single Project/Change Management profile. Profiles/Themes are provided below.

Risk Profiles (Themes)

The Shire utilises risk profiles to capture its operational risks. These risks are managed and monitored at the Executive Management Team level. The risk profiles assessed are:

RISK PROFILE	RISK DESCRIPTION
1. Asset Sustainability	Failure or reduction in service of infrastructure assets, plant, equipment, or machinery. These include fleet, buildings, roads, playgrounds, boat ramps and all other assets during their lifecycle from procurement to disposal.
2. Business and Community Disruption	Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage / terrorism) and/or pandemic.
3. Compliance	Failure to correctly identify, interpret, assess, respond, and communicate laws and regulations as a result of an inadequate compliance framework. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated internal and public domain legal documentation. It includes (amongst others) the Local Government Act, Planning and Development Act, Health Act, Building Act, Dog Act, Cat Act, Freedom of Information Act, and all other legislative based obligations for Local Government.
4. Document Management Processes	Failure to adequately capture, store, archive, retrieve, provide, or dispose of documentation.
5. Employment Practices	Failure to effectively manage human resources (full-time, part-time, casuals, temporary and volunteers).
6. Community Engagement	Failure to maintain effective working relationships with the Community (including local Media), Stakeholders, Key Private Sector Companies, Government Agencies and Elected Members. This includes activities where communication, feedback or consultation is required and where it is in the best interests to do so.

RISK PROFILE	RISK DESCRIPTION
7. Environment Management	Inadequate prevention, identification, enforcement, and management of environmental issues.
8. Errors, Omissions and Delays	Errors, omissions, or delays in operational activities as a result of unintentional errors or failure to follow due process including incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff.
9. External Theft and Fraud (includes Cyber Crime)	Loss of funds, assets, data, or unauthorised access, (whether attempted or successful) by external parties, through any means (including electronic), for the purposes of fraud, malicious damage or theft.
10. Management of Facilities, Venues, Events and Services	Failure to effectively manage the day-to-day operations of facilities, venues, events, and services.
11. IT, Communications Systems and Infrastructure	Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community.
12. Misconduct	Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures, or delegated authority
13. Project / Change Management	Inadequate analysis, design, delivery and reporting of projects / change initiatives, resulting in additional expenses, time delays or scope changes.
14. Purchasing and Supply	Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for operations. This includes issues that arise from the ongoing supply of services or failures in contract management and monitoring processes.
15. Work Health and Safety (WHS)	Non-compliance with the Workplace Health and Safety Act, associated Regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors, and visitors.

Conclusion

The review confirms that the Risk Management Governance Framework remains appropriate and effective. The proposed amendments strengthen governance arrangements, improve clarity of roles and responsibilities, and support the ongoing development of organisational risk management capability and maturity.

The Audit, Risk and Improvement Committee is requested to recommend endorsement of the updated 2026 Risk Management Governance Framework to Council.

END REPORT

10.7 Annual Financial Report – Interim Audit Results for Year Ending 30 June 2026

Reporting Department	*Corporate & Governance Directorate*
Responsible Officer	*Mrs Natalie Hopkins – Director Corporate & Governance*
Reporting Officer	*Mrs Hasreen Syed Maule - Manager Financial Services*
Legislation	*Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 9*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix ARIC: 10.7A: Interim Audit Results Letter (i.e. Interim Management Letter)* *Appendix ARIC: 10.7B: Risk Assessment*

Overview

The purpose of this report is to present to the Audit, Risk and Improvement Committee the Interim Audit Results for the year ending 30th of June 2026.

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

Note: Executive Manager Development Services, Mrs Susan Oosthuizen, entered the meeting at 4:24pm.
Director Corporate & Governance, Mrs Natalie Hopkins, left the meeting at 4:25pm and did not return.

OFFICER RECOMMENDATION & AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 08-26 MOVED – Cr S L Gillespie SECONDED – Cr K A Laurentsch

THAT the Audit, Risk and Improvement Committee recommend that Council receive the Office of the Auditor General – Interim Audit Results for the Year Ending 30th June 2026 (Appendix ARIC: 10.7A).

Carried
5/0

For the Motion		*Against the Motion*
Mr W Ticehurst Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

Background

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

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

Local government audits are performed in two parts:

1. *Interim Audit*

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

2. Final Year-End Audit

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

The interim audit for the year ending 30th June 2026 was performed onsite at the Shire's Eaton Administration Centre directly by the OAG from 6th July to 10th July 2026, in prior years the audit was performed by sub-contacted auditors.

The Interim Audit focused on audit samples from 1st July 2025 to 31st May 2026, with the OAG issuing the Interim Management Letter on 27th July 2026 (Appendix ARIC 10.7A).

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

- General ledger review including manual journals
- User access to financial reporting system;
- Chart of Accounts by Nature;
- Review of signed Council and Committee Meetings minutes;
- Risk Management Frameworks;
- Internal audit;
- Inventory, Fixed Asset Reconciliations;
- Rates Billing;
- Payroll and Employee Provisions;
- Borrowings;
- Lease Liabilities;
- Contract Liabilities;
- Trade Creditors including Masterfile Changes;
- Accounts Receivables;
- Procurement Policy Compliance;
- Monthly Financial Reporting;
- Bank Reconciliations, Credit Card Statement Reconciliations;
- General Ledger Reconciliation / Trial Balance;
- General computer controls audit;
- Various Council Policies, Administration Policies and Procedures

As per the OAG Interim Audit Results Letter (Appendix ARIC 10.7A), the result of the interim audit was declared satisfactory with **no findings issued**, that is **'No Management Control Issues'** for the Interim Audit 30th June 2026; an excellent result.

Legal Implications

Local Government Act 1995, Division 3A Financial Audit

7.12AB. Conducting a financial audit

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

7.12AC. Dispensing with a financial audit

(1) Despite section 7.12AB, the auditor may dispense with all or any part of a financial audit if the auditor considers that the dispensation is appropriate in the circumstances.
(2) The auditor must consult the Minister before exercising the power conferred by subsection (1).
(3) If the auditor exercises the power conferred by subsection (1), the auditor must notify —
(a) the Public Accounts Committee as defined in the Auditor General Act section 4(1); and
(b) the Estimates and Financial Operations Committee as defined in the Auditor General Act section 4(1).

7.12AD Reporting on a financial audit

(1) The auditor must prepare and sign a report on a financial audit.
(2) The auditor must give the report to
(a) the mayor, president or chairperson of the local government; and
(b) the CEO of the local government; and
(c) the Minister.

7.12AE. Fees for a financial audit

(1) The auditor must determine whether a fee is to be charged for a financial audit of a local government and if so, the amount of that fee.
(2) A fee determined under subsection (1) must be paid by the local government.

Local Government (Audit) Regulations 1996, Regulation 9

9. Performance of audit

(1) In this regulation — Australian Accounting Standards means the standards made and amended from time to time by the Australian Accounting Standards Board continued under the Australian Securities and Investments Commission Act 2001 (Cth) section 261.

(2) The auditor must carry out a financial audit in accordance with the Australian Auditing Standards made or formulated and amended from time to time by the Auditing and Assurance Standards Board established by the Australian Securities and Investments Commission Act 2001 (Cth) section 227A.

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

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

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

(i) the Act; and

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

Council Plan

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

Environment - None.

Precedents

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

Budget Implications

The 2025/26 budget includes an allocation for the conduct of the full annual audit, including the interim audit.

Budget – Whole of Life Cost

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

Council Policy Compliance - None.

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

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Event	Annual Financial Report – Interim Audit Results for the Year Ending 30th June 2026	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Residual Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Not presenting the Interim Audit Results for the year ending 30th June 2026 to the Audit, Risk and Improvement Committee (and subsequently Council).
	Reputational	Council's reputation could be seen in a negative light for not being open and transparent with disclosing findings from the Auditor General.

Officer Comment

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

Council received the Interim Audits Result Letter on 27th July 2026 that confirmed that the Interim Audit was **satisfactory and there were no findings issued**. Whilst it is not uncommon for auditors to issue findings to local governments in both interim and final audits, **this year marks the fifth successive year that Council has received 'no findings' or 'management control issues' for an Interim Audit**.

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

END REPORT

10.8 Business Continuity Plan

Reporting Department	*Development Services Directorate*
Responsible Officer	*Ms Susan Oosthuizen – Executive Manager Development Services*
Reporting Officer	*Mr Stephen Loiterton – Coordinator Emergency & Ranger Services*
Legislation	*Local Government Act 1995*
Council Role	*Executive/Strategic.*
Voting Requirement	*Simple Majority.*
Attachments	*Appendix ARIC: 10.8 – Risk Assessment*

Overview

The purpose of this report is to provide a further update on the review and testing of the Shire's Business Continuity Plan (BCP). The periodic review and testing of the BCP forms part of the Audit, Risk and Improvement Committee (ARIC) oversight responsibilities under its Terms of Reference and was included in the 2026 Annual Audit Work Plan.

The former Audit and Risk Committee was previously advised in December 2025 that the planned testing exercise had been delayed due to budget constraints. While funding has since been allocated, competing operational priorities and resource availability have resulted in a further delay to both the testing exercise and scheduled two-yearly review of the BCP. This report provides an update on the current status of these activities and the revised timeframe for completion.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDATION & AUDIT, RISK AND IMPROVEMENT COMMITTEE RESOLUTION

ARIC 09-26 MOVED – Cr S L Gillespie SECONDED – Cr A L Webster

THAT the Audit, Risk and Improvement Committee recommends that Council:

1. **Acknowledges that testing of the Shire's Business Continuity Plan and associated Disaster Recovery arrangements, together with the scheduled review of the Business Continuity Plan, have not yet been undertaken as identified in the Audit, Risk and Improvement Committees' Terms of Reference and the 2026 Annual Audit Work Plan.**

2. **Acknowledges the delays in undertaking the review and testing exercise and notes that:**

   a. **the Business Continuity Plan testing exercise is scheduled to be conducted prior to 30th June 2027; and**

   b. **the 2-yearly review of the Business Continuity Plan is scheduled to be undertaken during 2027.**

3. **Requests that consideration be given through the 2027/28 budget process for the allocation of funding, if required, to support the 2-yearly review of the Business Continuity Plan.**

Carried
5/0

For the Motion		*Against the Motion*
Mr W Ticehurst		

For the Motion		*Against the Motion*
Cr K A Laurentsch Cr T G Gardiner Cr S L Gillespie Cr A L Webster		

Background

A specific committee objective of the Audit, Risk and Improvement Committee is to assess whether a sound and effective approach has been followed in establishing the Shire's Business Continuity planning arrangements. This includes ensuring that the Shire's Business Continuity Plan (BCP) and Disaster Recovery Plans are periodically reviewed, updated and tested.

Under the 2026 Work Plan, the committee is responsible for considering the biennial review of the BCP and receiving a summary report on the testing undertaken to evaluate the effectiveness of the Plan.

AUDIT RISK AND IMPROVEMENT COMMITTEE – 2026 WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	**11 Mar 26**	***TBC Apr 26 Entrance Meeting**	**10 Jun 26**	**9 Sep 26**	**TBC Nov 26 Exit Meeting**	**9 Dec 26**
Business Continuity Plan (report next Due: December 2026)						
To consider the Business Continuity Plan (including disaster recovery) review every 2 years (or after a major event or incident).						●
Receive a summary report on the testing of the **2024** Business Continuity Plan after each test exercise.				●		

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

A report was presented to the former Audit and Risk Committee in December 2025 advising that testing of the Business Continuity Plan had been delayed due to funding constraints. This report provides a further update on the status of the planned testing and advises that the scheduled biennial review of the BCP will also be deferred. This report outlines the revised timeframes for completion of both activities.

Legal Implications

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

> *5.14 Assess whether a sound and effective approach has been followed in establishing the Shire's Business Continuity planning arrangements, including whether Business Continuity and Disaster Recovery Plans have been periodically updated and tested.*

Council Plan

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

Environment - None.

Precedents

The former Audit and Risk Committee previously received an update regarding Business Continuity Plan testing at its meeting held on 10th December 2025 [Res AAR 34-25].

Budget Implications

Funding has been allocated in the 2026/27 Annual Budget of $12,000 to undertake a Business Continuity Plan testing exercise.

The review of the Business Continuity Plan is scheduled to occur during 2027. Should external consultancy services be required to support the review, a budget allocation may be sought as part of the 2027/28 budget process.

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 ARIC 10.8) for full assessment document.

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Event	Business Continuity Plan (BCP)	
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Financial	The budget allocation of $12,000 is based on a $10,000 quote from early 2025. The costs may have increased.
	Legal and Compliance	Non-compliance with the Audit, Risk and Improvement Committee's Terms of Reference and specific committee objective to receive a summary report on the testing of the Shire's BCP.
	Reputational	The Shire's reputation could be negatively impacted for not adhering to objectives prescribed in the Audit, Risk and Improvement Committee's Terms of Reference.

Officer Comment

The Shire's Business Continuity Plan was most recently reviewed and updated by the Coordinator Emergency and Ranger Services. While the plan has been updated, a formal testing exercise has not yet been undertaken. Consistent with better practice, testing should be facilitated by an independent party, separate to the officer who created or modified the plan, to provide an objective assessment of the plan's effectiveness and identify opportunities for improvement. Specialist skills are also required to design, facilitate and evaluate the exercise.

The former Audit and Risk Committee was previously advised that testing of the Business Continuity Plan had been delayed due to the absence of budget funding. Funding has now been allocated in the 2026/27 financial year budget to engage a suitably qualified consultant to undertake the exercise.

Current Status

Following an organisational change in July 2026 on the back of receiving State Funding to establish a full-time Community Emergency Service Manager (CESM role), the Coordinator Emergency and Ranger Services was had been covering the vacancy of the Emergency Management Officer role for the past 10 months. This additional workload led to a limited capacity to undertake any planning and/or preparatory work towards this exercise, once this position is filled implementation of the exercise can be progressed before the end of the FY2026/27. It is anticipated that scheduling the exercise to evaluate the BCP may be possible in first half of 2027.

END REPORT

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

None.

Note: Manager Information Services, Mr Shaun Hill, left the meeting at 4:37pm and did not return.

Discussion:

Chief Executive Officer, Mr André Schönfeldt, noted the title of the item of business should be corrected to include elected members and committee members, appearing as '11. ELECTED AND INDEPENDENT MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN'

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 December 2026 at 3.30pm.

There being no further business the Presiding member declared the meeting closed at 4:37pm.