



12.6 Committee Meetings

APPENDICES

ORDINARY COUNCIL MEETING

TO BE HELD

23rd September 2026
Commencing at 5:00pm

AT

ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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UNCONFIRMED

MINUTES

AUDIT, RISK & IMPROVEMENT COMMITTEE MEETING

Held

9th September 2026

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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VISION STATEMENT

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

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COMMITTEE MEMBERSHIP:

- Mr Wayne Ticehurst (Independent Presiding Member)
- Mr David Price (Independent Deputy of the Presiding Member) Non-voting
- Cr S L Gillespie
- Cr K A Laurensch
- Cr B S Farrant
- Cr T G Gardiner
- Cr R J Trevathan (Deputy/Proxy)
- Cr A L Webster (Deputy/Proxy)

AUDIT RISK AND IMPROVEMENT COMMITTEE 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
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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
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2.1 Attendance

Voting Members

Mr Wayne Ticehurst	-	Independent Presiding Member
Cr Krystal A Lauretsch	-	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 <i>[arrival 4:25pm]</i>
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 Stanton's <i>[via Teams]</i>
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2.2 Apologies

Cr Bradley S Farrant	-	Elected Member
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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 Laurentschi 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 Laurentschi 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 Laurensch 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	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mrs Natalie Hopkins - Director Corporate & Governance</i>
Reporting Officer	<i>Mrs Donna Bailye - Manager Governance</i>
Legislation	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>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</i>

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

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 <i>Confidential Attachment 'C' – Under Separate Cover</i> 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 <i>Local Government Regulations Amendment Regulation 2024</i>, 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 than 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 <i>Confidential Attachment 'D' – Under Separate Cover – Biannual Compliance Calendar</i>

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

<i>For the Motion</i>	<i>Against the Motion</i>
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	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mrs Natalie Hopkins - Director Corporate & Governance</i>
Reporting Officer	<i>Mrs Cindy Barbetti - Corporate Excellence & Compliance Officer</i>
Legislation	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>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</i>

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:

- 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 30 th 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 Reputational	Not presenting the Interim Audit Results for the year ending 30 th June 2026 to the Audit, Risk and Improvement Committee (and subsequently Council). 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	<i>Development Services Directorate</i>
Responsible Officer	<i>Ms Susan Oosthuizen – Executive Manager Development Services</i>
Reporting Officer	<i>Mr Stephen Loiterton – Coordinator Emergency & Ranger Services</i>
Legislation	<i>Local Government Act 1995</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>Appendix ARIC: 10.8 – Risk Assessment</i>

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

<i>For the Motion</i>	<i>Against the Motion</i>
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.



CONFIRMED

MINUTES

AUDIT & RISK COMMITTEE MEETING

HELD

10th June 2026

AT

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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

VISION STATEMENT

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

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COMMITTEE MEMBERSHIP:

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

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

AUDIT & RISK COMMITTEE CHARTER

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

COUNCIL ROLE

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

DISCLAIMER

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

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

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

RISK ASSESSMENT

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

SHIRE OF DARDANUP**MINUTES OF THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING HELD ON WEDNESDAY, 10TH JUNE 2026, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 3:30PM.****1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

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

Acknowledgement of Country

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

Emergency Procedure

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

Affirmation of Civic Duty and Responsibility

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

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

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

2.2 Apologies

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

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

None.

4. PUBLIC QUESTION TIME

None.

5. PETITIONS/DEPUTATIONS/PRESENTATIONS

None.

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

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

AUDIT & RISK COMMITTEE RESOLUTION

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

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

CARRIED
4/0

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

7. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

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

None.

9. DECLARATION OF INTEREST

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

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

Discussion:

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

There were no Declarations of Interest made.

10. REPORTS OF OFFICERS AND COMMITTEES

10.1 Notification of Counterfeit \$20 Note Received

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

Overview

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

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

AAR11-26 MOVED – Cr B S Farrant

SECONDED – Cr K A Laurentsch

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

CARRIED
4/0

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

Background

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

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

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

Legal Implications

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

5. CEO's duties as to financial management

(1) Efficient systems and procedures are to be established by the CEO of a local government

(a) for the proper collection of all money owing to the local government; and

(b) for the safe custody and security of all money collected or held by the local government.

Council Plan

13.2 - Manage the Shire's resources responsibly.

Environment - None.

Precedents

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

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

Budget Implications

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

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

Budget – Whole of Life Cost - None.

Council Policy Compliance - None

Risk Assessment

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

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

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

Officer Comment

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

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

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

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

END REPORT

10.2 Western Australian Auditor General – Schedule of Reports

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

Overview

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

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

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

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

CARRIED
4/0

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

Background

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

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

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

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, r17

17. CEO to review certain systems and procedures

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

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

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

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

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

As at 01 Jan 2026

Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

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

Budget Implications

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

Budget – Whole of Life Cost

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

Council Policy Compliance - None.

Risk Assessment

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

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

Officer Comment

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

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

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

1) What this OAG report is about

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

It assesses 160+ security settings across five categories:

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

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

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

2) Key messages for Local Government

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

Key messages include:

- a. Governance weaknesses leave organisations exposed
 - Minimum M365 security requirements were not defined.
 - Security settings were not backed up.
 - Personal devices used for Multi-Factor Authentication (MFA) were unmanaged.
 - User access reviews were incomplete.
- b. Identity and access management is a critical risk area
 - Weak MFA (SMS/email) is still widely used.
 - Legacy authentication hasn't been blocked.
 - Privileged access is permanent rather than time-bound.
- c. Information sharing controls are insufficient
 - Data Loss Prevention (DLP) not applied to key apps (OneDrive, SharePoint, Teams, Exchange).
 - External sharing overly permissive.
 - Staff can save data to unapproved cloud locations.
- d. Gaps in monitoring reduce incident response capability
 - High-privilege role changes not always alerted.
 - Vendor access not effectively controlled.
 - Logs not retained for long enough (ASD recommends 18 months).
- e. Threat protection controls only partly effective
 - High-risk sign-ins not consistently blocked.
 - Email impersonation protection weak.
 - Auto-forwarding not restricted (major business email compromise risk).
 - Unapproved Teams/Power BI apps allowed.

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

3) What this means for the Shire of Dardanup

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

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

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

Report 10 Performance Audit Controls Over Portable Assets – State Entities

1) What this OAG report is about

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

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

The audit assessed how well entities:

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

2) Key messages for Local Government

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

- Many entities lack a clear and complete understanding of their portable assets, including what they have and where those assets are located.
- Asset registers are often incomplete, inaccurate or inconsistently maintained, leading to increased risk of loss, theft or misuse.
- Newly purchased portable assets are not always added to registers, creating gaps in tracking and custodial accountability.
- Stocktakes are not being conducted regularly or thoroughly, reducing entities' ability to detect missing items or reconcile discrepancies.
- Disposal processes are poorly documented or not followed, resulting in inadequate approvals and lack of transparency over the disposal of public property.
- Policies and procedures are often unclear or inconsistently applied, especially regarding what constitutes a portable asset and how it should be managed across multiple sites.

- Effective staff guidance—through Codes of Conduct, training and clear expectations—helps reduce the risk of inappropriate personal use of portable assets.
- Robust controls over portable assets are essential to protect public funds, maintain service delivery, and ensure transparency and accountability.

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

3) What this means for Shire of Dardanup

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

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

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

Report 11 Local Government Management of Gifts and Benefits

1) What this OAG report is about

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

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

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

2) Key messages for Local Government

Transparency

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

Conflicts of Interest

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

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

Policies & Procedures

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

Training & Culture

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

Oversight & Monitoring

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

Sector Guidance

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

3) What this means for the Shire of Dardanup

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

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

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

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

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

1) What this OAG report is about

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

Why the report covers 68 entities (and not all local governments)

The report presents results for 68 local governments because these were the entities whose 2025 financial audits included completed GCC reviews at the time the report was finalised. GCC procedures are conducted as part of the annual financial audit, and audit completion dates vary significantly across the sector.

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

Scope of the report

The audit examines 10 control categories, including:

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

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

2) Key messages for Local Government

Sector-wide cyber maturity is declining

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

Many weaknesses remain unresolved year after year

Of the 333 findings, 60% were repeat issues, signalling persistent systemic gaps and slow remediation.

Critical control areas remain the weakest

The highest-risk areas identified were:

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

Human factors remain a major vulnerability

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

Improving controls does not always require expensive technology

The OAG emphasises that uplift largely depends on:

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

3) What this means for the Shire of Dardanup

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

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

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

Report 13 Local Government 2025 – Financial Audit Results

1) What this OAG report is about

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

Headline results

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

Systemic risk themes

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

2) Key messages for Local Government

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

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

- Excessive revisions signal weak internal review and financial capability and increase audit cost and risk.
- b) Asset management is non-negotiable
 - Errors in valuations, asset registers, and WIP capitalisation are driving prior period restatements and qualifications.
 - Councils are expected to apply the new LGIRS valuation guidance (issued March 2026) and ensure valuers comply with required methodologies.
- c) Financial health must be actively monitored by Council
 - The sector's average and median current ratios are trending down, indicating reduced capacity to meet short-term liabilities.
 - Councillors and CEOs are expected to intervene early when financial stress indicators emerge, rather than waiting for audit disclosure.
- d) Governance and accountability expectations are rising
 - Audit committees are now Audit, Risk and Improvement Committees with stronger oversight roles.
 - Unresolved prior-year control issues are a red flag; 32% of findings remain unresolved across the sector.
- e) "Compliance mindset" is no longer sufficient
 - The OAG is clear that treating deadlines (30th September or early December) as targets reflects minimum compliance, not good governance.
 - Councils are expected to plan for earlier completion, smoother audits, and stronger internal controls.

3) What this means for the Shire of Dardanup

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

- a) Audit outcome
 - The Shire received a clear audit opinion for 2025.
 - An Emphasis of Matter (EoM) paragraph was included due to restatement of comparative balances from the 2024 financial statements. This does not modify the opinion but highlights that prior period errors were corrected.
- b) Timeliness and relative performance
 - Audit opinion issued 21st November 2025, earlier than many peers and well ahead of the statutory deadline.
 - This places Dardanup in a stronger timeliness position compared to much of the sector, especially given the December audit bottleneck noted by OAG.
- c) Financial health
 - Current ratio 2025: 2.98 (down from 3.53 in 2024).
 - This is above 1, indicating the Shire can meet short-term obligations.
 - However, the downward movement mirrors the sector-wide declining trend, which the Auditor General flags as an emerging risk requiring attention.

What Dardanup should focus on next:

- a) Prevent repeat restatements
 - The EoM indicates asset or accounting corrections were needed. The clear expectation is that root causes are fixed, not recurring.
- b) Strengthen asset governance
 - Review valuation processes, WIP transfers, and reconciliations against the new LGIRS valuation guidance before the 2026 cycle.
- c) Maintain audit readiness discipline
 - Keep early submission and minimise post-submission changes to avoid drifting toward the sector's "multiple versions" risk profile.
- d) Monitor financial sustainability trends

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

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

Conclusion

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

END REPORT

10.3 Biannual Risk Management Report & Framework Review Update

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

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

Overview

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

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

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

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

THAT the Audit and Risk Committee recommends that Council:

- 1. Receives the biannual Risk Management Dashboard Report for this reporting period, as provided for in Confidential Attachment (A) (under separate cover); and**
- 2. Notes that the 3-yearly Risk Management Governance Framework will be presented at the September 2026 Audit, Risk and Improvement Committee meeting.**

CARRIED
5/0

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

Background

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

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

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

- Terms of Reference

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

- 2026 Annual Audit Work Plan

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

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

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

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

17. CEO to review certain systems and procedures

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

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

(2) *Under subregulation (1), the CEO may review any or all of the matters referred to in subregulation*

(1)(a) to (c) *at any time but must review each of those matters not less than once in every 4 financial years.*

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

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

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

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

Budget Implications

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

Budget – Whole of Life Cost - None.

Council Policy Compliance

Risk Management Governance Framework

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

Risk Assessment

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

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

Officer Comment

- Biannual Risk Management Dashboard Report**

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

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

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

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

Table 1 – Treatment Plan Summary

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

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

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

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

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

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

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

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

10.4 2026 Governance Health Review – Interim Update Report

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

Overview

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

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

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

THAT the Audit and Risk Committee recommends that Council:

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

CARRIED
5/0

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

Background

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

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

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

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

Legal Implications - None.

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

A similar governance review was undertaken in 2019.

Budget Implications

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

Budget – Whole of Life Cost - None.

Council Policy Compliance - None.

Risk Assessment

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

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

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

Officer Comment

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

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

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

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

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

END REPORT

10.5 2025 Financial Management Systems Review – Update Report

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

DECLARATION OF INTEREST

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

Overview

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

Change to Officer Recommendation - No Change.

AUDIT & RISK COMMITTEE RESOLUTION

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

THAT the Audit and Risk Committee recommends that Council:

- 1. Receives the June 2026 update report on the implementation of actions required from the findings of the 2025 Financial Management Systems Review (FMSR); and**
- 2. Notes that the completion of finding 7.2.1 Plans and Policies is expected to be achieved by the due date of 30th June 2026.**

CARRIED
5/0

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

Background

2025 Financial Management System Review:

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

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

2025 Reforms:

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

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

Reporting on actions from the 2025 Financial Management Systems Review:

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

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

Legal Implications

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

- Pre 2025 Reforms:

5 (2) The CEO is to —

- (a) ensure that the resources of the local government are effectively and efficiently managed; and
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year).
- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

- Post 2025 Reforms:

5 (2) The CEO is to —

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

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

[(c) **deleted**]

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

As at 01 Jan 2026

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

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

Budget Implications

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

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

Budget – Whole of Life Cost

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

Council Policy Compliance

Nil Council Policy.

Delegation 1.3.8 Financial Management Systems and Procedures.

Risk Assessment

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

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

Officer Comment

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

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

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

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

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

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

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

Item 7.2.1 Plans and Policies

This remains the final outstanding action item requiring completion.

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

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

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

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

END REPORT

10.6 Network and Internet Outage – 27th March 2026

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

Overview

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

Change to Officer Recommendation - No Change

AUDIT & RISK COMMITTEE RESOLUTION

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

THAT the Audit and Risk Committee recommends that Council:

- 1 Notes the network and internet outage that occurred on the 27th March 2026;**
- 2. Notes the operational impacts of the outage; and**
- 3. Notes the actions already underway to reduce the impact of similar events and improve the Shire's resilience.**

CARRIED
5/0

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

Background

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

Legal Implications - None.

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

Environment - None.

Precedents - None.

Budget Implications - None.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Business Continuity Plan (BCP)

IT Disaster Recovery Plan

Risk Assessment

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

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

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

Officer Comment

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

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

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

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

What the incident exposed:

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

Work already underway:

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

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

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

Current Position

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

END REPORT

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

None.

12. NEW BUSINESS OF AN URGENT NATURE

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

None.

13. MATTERS BEHIND CLOSED DOORS

None.

14. CLOSURE OF MEETING

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

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

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

**CONFIRMATION OF MINUTES**

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

Signed:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

(Chairman or Shire President or Other Presiding Member)

2025 Compliance Audit Return

Local Government Authority: The Shire of Dardanup

Local Government Act 1995

s. 2.29

Has every person elected or appointed to a mayor, president, deputy, or councillor role made the required declaration in the prescribed form before a prescribed person, prior to acting in the office?

Response: Yes

Comments: Form 7's completed by Elected Members, Shire President and Deputy Shire President at Special Council Meeting (SCM) 22-10-2025

s. 3.16

Has the local government reviewed local laws, which have not been reviewed in the previous 8 years, to ensure compliance with Schedule 9.3, Clause 65?

Response: Yes

s.3.57

Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations?

Response: Yes

s. 3.58(3)

Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the Local Government Act 1995 (unless section 3.58(5) applies)?

Response: Yes

s. 3.58(4)

Where the local government disposed of property under section 3.58(3) of the Local Government Act 1995, did it provide details, as prescribed by section 3.58(4) of the Act, in the required local public notice for each disposal of property?

Response: Yes

s. 3.59(2)(a)

Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2025?

Response: N/A

Comments: No major trading undertaken or major land transactions undertaken in 2025

s. 3.59(2)(b)

Has the local government prepared a business plan for each major land transaction that was not exempt in 2025?

Response: N/A

Comments: No major trading undertaken or major land transactions undertaken in 2025

s. 3.59(2)(c)

Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2025?

Response: N/A

Comments: No major trading undertaken or major land transactions undertaken in 2025

s. 3.59(4)

Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2024?

Response: N/A

Comments: No major trading undertaken or major land transactions undertaken in 2025

s. 3.59(5)

During 2025, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?

Response: N/A

Comments: No major trading undertaken or major land transactions undertaken in 2025

s. 5.16 (1)

Were all delegations to committees resolved by absolute majority?

Response: Yes

s. 5.16 (2)

Were all delegations to committees in writing?

Response: Yes

Comments: 2024/2025 Delegation Register was last adopted 18-12-2024 Res 314-24 which is not in this CAR period.

2025/2026 Delegation Register was adopted Ordinary Council Meeting (OCM) 24 June 2026 Res 141-26.

s. 5.17

Were all delegations to committees within the limits specified in section 5.17 of the Local Government Act 1995?

Response: Yes

Comments: 2024/2025 Delegation Register was last adopted 18-12-2024 Res 314-24 which is not in this CAR period.

2025/2026 Delegation Register was adopted Ordinary Council Meeting (OCM) 24 June 2026 Res 141-26.

s. 5.18

Were all delegations to committees recorded in a register of delegations?

Response: Yes

Comments: Audit & Risk Committee

Behaviour Complaints Committee

Bushfire Advisory Committee noted in 2024-25 Delegation Register

s. 5.36(4) and s. 5.37(3)

Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A?

Response: N/A

Comments: No recruitment of CEO in 2025; no 'Senior Employees' at SoD.

s. 5.37(2)

Did the CEO inform council of each proposal to employ or dismiss senior employee?

Response: N/A

Comments: No 'Senior Employees' at SoD

Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?

Response: N/A

Comments: No 'Senior Employees' at SoD

s. 5.39B

Has the local government adopted and maintained model standards that incorporate the prescribed model standards within required timeframes (including amendments), ensured adoption by absolute majority, published an up-to-date version on its official website, and avoided including any inconsistent additional provisions?

Response: Yes

Comments: The Shire adopted CEO Standards in April 2021 in accordance with legislative requirements. 28-04-2021 Res: 112-21. The 2024 amendments were incorporated into the 2025 CEO Annual Performance Review process.

s. 5.42

Were all delegations to the CEO resolved by an absolute majority?

Response: Yes

Comments: 2024/2025 Delegation Register was last adopted 18-12-2024 Res 314-24 which is not in this CAR period.

2025/2026 Delegation Register was adopted 24 June 2026 Res 141-26.

Were all delegations to the CEO in writing?

Response: Yes

Comments: 2024/2025 Delegation Register was last adopted 18-12-2024 Res 314-24 which is not in this CAR period.

2025/2026 Delegation Register was adopted 24 June 2026 Res 141-26.

s. 5.43

Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Local Government Act 1995?

Response: Yes

Comments: 2024/2025 Delegation Register was last adopted 18-12-2024 Res 314-24 which is not in this CAR period.

2025/2026 Delegation Register was adopted 24 June 2026 Res 141-26.

s. 5.44(2)

Were all employees delegated authority by the CEO under Section 5.44(1), issued with a written instrument of delegation?

Response: Yes

Comments: Any new employees in 2025 appointed to a position with delegated authority were issued with a certificate via Software Application - Attain.

s. 5.45(1)(b)

Were all decisions by the Council to amend or revoke a delegation made by absolute majority?

Response: N/A

Comments: No Delegations were revoked during the period.

s. 5.46

Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?

Response: Yes

Comments: Register maintained through Attain system

Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2024/2025 financial year?

Response: Yes

Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19?

Response: Yes

Comments: Register maintained through Attain system

s. 5.50

If the local government paid a finishing employee an amount in addition to their entitlement, did the local government follow a policy it had adopted and published on its website outlining the circumstances in relation to payments made to terminated employees?

Response: Yes

Comments: Refer to Council Policy CnG CP016 Severance Policy - Section 5.50 of the LG Act.

If the local government made a payment to a finishing employee that is more than the amount set out in the policy, was local public notice given?

Response: N/A

s. 5.51A

Has the CEO prepared and implemented a code of conduct to be observed by employees of the local government?

Response: Yes

Comments: Employee CoC last adopted by EMT and authorised by CEO on 29-10-2024;

Has the CEO published an up-to-date version of the code of conduct for employees on the local government's website?

Response: Yes

s. 5.67

Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the Local Government Act 1995, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?

Response: Yes

Comments: It is recorded in the LG Minutes when an elected member with a disclosed interest leaves and returns to the meeting. The Minutes provide evidence that the member was not present for discussion or decision-making on the relevant matter

s. 5.68(2)

Were all decisions regarding participation approval in relation to Section 5.68(2), including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting?

Response: Yes

Comments: It is recorded in the LG Minutes when an elected member with a disclosed interest leaves and returns to the meeting along with any discussion or recording of approval to remain in the room. The Minutes provide evidence that the member was not present for discussion or decision-making on the relevant matter

s. 5.69(5)

Were all decisions regarding participation approval in relation to Section 5.69(5), including the extent of participation allowed recorded in the minutes of the relevant council or committee meeting?

Response: N/A

Comments: No Minister approval sought during the period.

s. 5.70

Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?

Response: Yes

Comments: It is recorded in the LG Minutes when an Officer with a disclosed interest leaves and returns to the meeting. The Minutes provide evidence that the member was not present for discussion or decision-making on the relevant matter

s. 5.71B(5) and (7)

Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the Local Government Act 1995 relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?

Response: N/A

Comments: No Minister approval sought during the period.

Was any decision made by the Minister under section 5.71B(6) of the Local Government Act 1995, recorded in the minutes of the council meeting at which the decision was considered?

Response: N/A

Comments: No Minister approval sought during the period.

s. 5.73

Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the Local Government Act 1995 recorded in the minutes of the meeting at which the disclosures were made?

Response: Yes

s. 5.75

Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?

Response: Yes

s. 5.76

Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2025?

Response: Yes

s. 5.77

On receipt of a primary or annual return, did the CEO, or the Mayor/President, as the case may be, give written acknowledgment of having received the return?

Response: Yes

Comments: Acknowledgement is automated through Attain.

s. 5.88

Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the Local Government Act 1995?

Response: Yes

Comments: Registers maintained and available on the Shire Website.

Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28?

Response: Yes

Comments: Registers maintained and available on the Shire Website.

After a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the Local Government Act 1995, did the CEO remove from the register all returns relating to that person?

Response: Yes

Comments: Registers maintained and available on the Shire Website.

Have all returns removed from the register in accordance with section 5.88(3) of the Local Government Act 1995 been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?

Response: Yes

s. 5.89A

Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A?

Response: Yes

Comments: Registers maintained and available on the Shire Website.

Did the CEO publish an up-to-date version of the gift register on the local government's website?

Response: Yes

s. 5.90A

Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?

Response: Yes

s. 5.94

Does the local government have information available for members of the public to inspect, free of charge as prescribed under section 5.94 and Admin Reg 29, except where restricted under this section?

Response: Yes

Comments: Council Policy CnG CP081 Elected Member and CEO Attendance at Events - endorsed 23-10-2024 Res: 275-24

s. 5.96

Where a person is entitled to inspect information under this Division, can the local government confirm that copies are available and that the price at which it sells copies does not exceed the cost of providing them, (unless prescribed otherwise)?

Response: Yes

s. 5.96A

Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995?

Response: Yes

s. 5.104

Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates that incorporates the model code of conduct?

Response: Yes

Did the local government adopt additional requirements in addition to the model code of conduct?

Response: Yes

Comments: CoC most recently updated and endorsed by Council 25-03-2026 Res:39-26 - which is after this review period. But the CoC before that was published.

Additional requirements: Yes - Standards of Dress

Does it comply with section 5.104(3) and (4) of the Local Government Act 1995?

Response: Yes

Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website?

Response: Yes

s. 5.128

Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?

Response: Yes

Comments: Council Policy CnG CP112 Councillors Induction Training and Professional Development - endorsed 23-10-2024 Res: 275-24.

Policy endorsed at OCM 24 June 2026 - Res: 143-26

s. 7.12A(3), (4) and (5)

Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?

Response: N/A

Comments: There were no Management Control issues raised or identified by Auditors; Unqualified Audit Report 24/25 noting the Independent Auditors Report included Emphasis of Matter - Restatement of Comparative Balances (30/06/2024).

Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?

Response: N/A

Comments: There were no Management Control issues raised or identified by Auditors; Unqualified Audit Report 24/25 noting the Independent Auditors Report included Emphasis of Matter - Restatement of Comparative Balances (30/06/2024).

Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website?

Response: N/A

Comments: There were no Management Control issues raised or identified by Auditors; Unqualified Audit Report 24/25 noting the Independent Auditors Report included Emphasis of Matter - Restatement of Comparative Balances (30/06/2024).

Local Government (Administration) Regulations 1996

r. 18F

Were the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the Local Government Act 1995?

Response: N/A

Comments: No new CEO appointed in 2025.

r. 19AB

Does the code of conduct contain the requirement that a local government employee (not including the CEO) must not accept a prohibited gift from an associated person?

Response: Yes

Comments: Section 3.15 of the Employee CoC includes a statement on 'prohibited gift'

r. 19AC

Does the local government's code of conduct include requirements for the recording, storing, disclosure, and use of information relating to gifts accepted by local government employees (excluding the CEO) from associated persons, in accordance with regulatory requirements?

Response: Yes

Comments: Section 3.15 of the Employee CoC includes a statement on 'prohibited gift'

r. 19AE

Does the local government's code of conduct include requirements addressing employee behaviour in the performance of duties, interactions with others, use and disclosure of information, use of local government resources and finances, the keeping of records, and the reporting and management of suspected breaches and misconduct, in accordance with regulatory requirements?

Response: Yes

r. 19B

Did the local government include in its annual report all information required under section 5.53(2)(g) and (i) and regulation 3A(2), including number of employee's in salary bands over \$130,000, remuneration and allowances paid, ordered payments, CEO remuneration, council member meeting attendance, available demographic information about council members, and details of any modifications to the strategic community plan or significant modifications to the corporate business plan?

Response: Yes

Comments: Demographics personal information about Council Members - Reg 19B (h) notes = 'if available'

r. 19C

Has the local government adopted by absolute majority a strategic community plan?

Response: Yes

Comments: Last Major Review - Special Council Meeting 5 May 2022 Res 105-22.

Strategic Community Plan 2024-2034 Internal Review (ie 2 yearly) adopted 24 April 2024 Res 107-24.

Major Review 2026 scheduled for Adoption in August 2026.

Adoption date or the date of the most recent review: 24/04/2024

r. 19DA

Has the local government reviewed its corporate business plan in accordance with Admin Regulation 19DA(4)?

Response: Yes

Comments: Corporate Business Plan Review 2025-2028 adopted 21 May 2025 Res 114-25.

Date of review: 21/05/2025

Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)?

Response: Yes

r. 22

No response required. This is covered by s5.75.

r. 23

No response required. This is covered by s5.76.

r. 28

No response required. This is covered by s5.88(1).

r. 28A

No response required. This is covered by s5.89A(1).

r. 29

No response required. This is covered by s5.94.

r. 29C

Does the local government publish all prescribed information on its official website— including up-to-date policies, required details of council member and employee returns, council member fees and allowances, and relevant public notices—within the specified timeframes and in accordance with legislative requirements?

Response: Yes

r. 35

Has every local government council member completed and passed the Council Member Essentials course, consisting of the five required modules and delivered by an approved provider, within 12 months of being elected?

Response: Yes

r. 36

Does the local government appropriately identify and document council members who are exempt from the training requirements under section 5.126(1), including verifying that the member:

- has completed an approved course within the specified 5-year period prior to election, or
- completed the LGASS00002 Elected Member Skill Set before 1 July 2019 within the relevant timeframe, or
- qualifies for the transitional exemption applicable to council members in office at the commencement of the 2019 regulatory amendments?

Response: Yes

Local Government (Audit) Regulations 1996

r. 10

Was the auditor's report for the financial year ending 30 June 2025 received by the local government within 30 days of completion of the audit?

Response: Yes

r. 17

Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2025?

Response: Yes

Comments: 27-03-2024 Res: 94-24 - item 12.5.2. All findings reviewed and accepted at OCM 25/09/2025 - Res 265-25

Date of council's resolution to accept the report: 25/09/2025

Local Government (Constitution) Regulations 1998

r. 11FA

Did the CEO provide the Minister a report as to the result of the election within 14 days of the declaration and in the form of Form 20 of the Local Government (Elections) Regulations 1997, modified as necessary?

Response: Yes

Comments: Form 20 issued by Returning Officer on 30-10-2025

r. 13

Were all required oaths, affirmations and declarations under section 2.42 (in relation to Commissioners) made in the correct form (Form 8), before the appropriate authorised person?

Response: N/A

Comments: No commissioner appointed.

Local Government (Elections) Regulations 1997

r. 30G

Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997?

Response: Yes

Comments: Only 1 disclosure in 2025.

Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997?

Response: Yes

Comments: No other disclosures made for other years, so no requirement to remove any.

Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997?

Response: Yes

Local Government (Financial Management) Regulations 1996

r. 5

Has the CEO ensured efficient systems and procedures are established under provisions set out in Financial Management Regulations 5(1)(a) to (g)?

Response: Yes

Comments: Ordinary Council Meeting 26 March 2025 Res 61-25

r. 6

Has the local government ensured that any employee delegated responsibility for day-to-day accounting or financial management operations is not also delegated the responsibility for conducting internal audits, reviewing their own duties, or for managing, directing or supervising someone who carries out these functions?

Response: Yes

r. 7

Did the local government ensure it has regard to the needs of the inhabitants of the district as a whole and not keep separate ward accounts or determine expenditure on the basis of revenue from a ward?

Response: Yes

r. 8

Does the local government maintain separate accounts with a bank or other financial institution for money to be held in the municipal fund, trust fund and for reserve account purposes?

Response: Yes

r. 9

Did the local government keep separate financial records for each trading undertaking and each major land transaction?

Response: N/A

Comments: No major trading undertaking / No major land transactions undertaken in 2025

r. 11

Has the local government developed procedures for the authorisation of, and the payment of, accounts in accordance with Local Government (Financial Management) Regulations 11(1), (2) and (3)?

Response: Yes

Comments: CnG CP035 Payment of Accounts

CnG CP310 Purchasing Card Policy

r. 12

Were payments made from the municipal fund or trust fund made by the CEO under a delegated authority or authorised, in accordance with regulation 13(2), in advance by a council resolution?

Response: Yes

Comments: Refer Delegation 1.2.31 Payments from Municipal or Trust Funds

r. 13

Can the local government confirm that, where the CEO has been delegated authority to make payments from the municipal or trust fund, the CEO prepared accurate monthly lists that are presented at the next ordinary council meeting and recorded in the minutes?

- includes the payee's name, payment amount, payment date, and sufficient information to identify each transaction where payments have already been made; or
- includes the payee's name, payment amount, sufficient information to identify each transaction, and the date of the council meeting (to which the list will be presented) for accounts requiring council approval.

Response: Yes

Comments: Schedule of Paid Accounts is presented to each OCM.

r. 13A

Did the local government prepare a list each month of all payments made using employee-authorised credit, debit or other purchasing cards, and include the payee's name, the amount of the payment, the date of the payment, sufficient information to identify the payment, and present the list at the next ordinary council meeting (and record in the minutes)?

Response: Yes

Comments: 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.

r. 19

(Appendix ORD: 12.6.1C)

Has the local government established and documented internal control procedures to enable identification of the nature and location of all investments and any related transactions?

Response: Yes

Comments: Delegation 1.2.33 Power to Invest and Manage Investments

Council Policy - CnG CP036 Investment Policy

r. 19C

Has the local government ensured that all investments made under section 6.14(1) comply with statutory restrictions set out in Financial Management Reg. 19C?

Response: Yes

Local Government (Functions and General) Regulations 1996

r. 7

No response required. This is covered by s3.59(2).

r. 9

No response required. This is covered by s3.59(2).

r. 10

No response required. This is covered by s3.59(2).

r. 11A

Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?

Response: Yes

Comments: CnG CP034 Procurement Policy

A Non Compliance to Council Policy CP034 Purchasing Policy identified in November 2025 where numerous Purchase Orders for a single supply; Purchase Orders created less than \$5,000 per order; there was no direct financial loss to the Shire. Reported at Audit & Risk Committee in March 2026, and Ordinary Council Meeting dated 25th March 2026 Res 71-26 includes non-compliant procurement issue to Council Policy CP034 Procurement Policy.

r. 11

No response required. This is covered by s3.57.

r. 12

Did the local government consider the implications of Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract?

Response: Yes

Comments: CnG CP034 Procurement Policy

A Non Compliance to Council Policy CP034 Purchasing Policy identified in November 2025 where numerous Purchase Orders for a single supply; Purchase Orders created less than \$5,000 per order; there was no direct financial loss to the Shire. Reported at Audit & Risk Committee in March 2026, and

Ordinary Council Meeting dated 25th March 2026 Res 71-26 includes non-compliant procurement issue to Council Policy CP034 Procurement Policy.

r. 14(1), (3) and (5)

If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents, or each acceptable tenderer notice of the variation?

Response: Yes

Comments: All tender information is released through the Tenderlink portal. Any amendments or additional information relating to a tender are communicated through the portal, with all registered suppliers receiving notification. This includes changes such as extensions to the tender closing date or the release of supplementary information.

r. 15

Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16?

Response: Yes

r. 16

No response required. This is covered by r. 15.

r. 17

Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?

Response: Yes

r. 18(1) and (4)

Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?

Response: Yes

Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?

Response: Yes

r. 19

Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?

Response: Yes

r. 21

Does the local government's advertising and expression of interest processes for limiting who can tender comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22?

Response: Yes

r. 22

No response required. This is covered by r. 21.

r. 23

Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?

Response: Yes

Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?

Response: Yes

r. 24

Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24?

Response: Yes

r. 24AD(2), (4) and (6)

Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions & General) Regulations 1996 regulations 24AD(4) and 24AE?

Response: N/A

Comments: The Shire of Dardanup did not undertake a Panel of Pre-Qualified Suppliers during 2025.

If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?

Response: N/A

Comments: The Shire of Dardanup did not undertake a Panel of Pre-Qualified Suppliers during 2025.

r. 24AE

No response required. This is covered by r. 24AD(2), (4) and (6).

r. 24AF

No response required. This is covered by r. 24AD(2), (4) and (6).

r. 24AG

Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG?

Response: N/A

Comments: The Shire of Dardanup did not undertake a Panel of Pre-Qualified Suppliers during 2025.

r. 24AH(1) and (3)

Did the local government reject any applications to join a panel of prequalified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?

Response: N/A

Comments: The Shire of Dardanup did not undertake a Panel of Pre-Qualified Suppliers during 2025.

Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?

Response: N/A

r. 24AI

Did the CEO send each applicant written notice advising them of the outcome of their application?

Response: N/A

Comments: The Shire of Dardanup did not undertake a Panel of Pre-Qualified Suppliers during 2025.

r. 24E

Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F?

Response: N/A

Comments: The Shire does not apply regional price preference.

r. 24F

No response required. This is covered by r. 24E.

(Appendix ORD: 12.6.1C)

I certify this is a true and accurate copy of the 2025 Compliance Audit Return, as adopted by Council at the meeting of _____ 2026.

CEO

Date

Mayor or President

Date



Internal Audit Strategic Plan 2026/27 - 2029/30

Incorporating the Annual Audit Work Plan 2026/27

Document Control					
Document ID: 2026/27 – 2029/30 Internal Audit Strategic Plan					
Rev No	Date	Revision Details	Author	Approver	Recommendation Date / Adoption Date
1.0	04-08-2026	2026/27 – 2029/30 Internal Audit Strategic Plan created for presentation to ARIC, with subsequent endorsement by Council	Corporate Excellence & Compliance Officer	Chief Executive Officer	ARIC 09-09-2026 Res TBC
					OCM 23-09-2026 Res TBC
Document ID: 2026/27 Annual Audit Work Plan					
Rev No	Date	Revision Details	Author	Approver	Recommendation Date / Adoption Date
1.0	04-08-2026	2026/27 Annual Audit Work Plan created for presentation to ARIC, with subsequent endorsement by Council	Corporate Excellence & Compliance Officer	Director Corporate & Governance	ARIC 09-09-2026 Res TBC
					OCM 23-09-2026 Res TBC

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Introduction

Purpose of Internal Audit

Internal Audit provides independent and objective assurance and advisory services designed to add value and improve the Shire of Dardanup's (the Shire) operations. The Internal Audit function assists Council, the CEO, Executive Management and the Audit, Risk and Improvement Committee by evaluating and improving the effectiveness of governance, risk management, internal controls and compliance processes.

This Internal Audit Strategic Plan establishes the framework for the delivery of internal audit services over the period 2026/27 to 2029/30 and supports the achievement of the Shire's strategic objectives through a risk-based approach to assurance.

Plan Framework

The primary purpose of the Shire's Internal Audit planning framework is to align internal audit activities with the Shire's strategic objectives, risks, governance responsibilities and assurance requirements.

The Internal Audit planning framework consists of two key elements:

- An **Internal Audit Strategic Plan**, being a rolling three-year document that establishes the strategic direction, audit priorities and coverage methodology for the Internal Audit function; and
- An **Annual Internal Audit Work Plan**, which is reviewed and presented to the Audit, Risk and Improvement Committee (ARIC) each year and identifies the specific assurance and advisory activities proposed to be undertaken during the relevant financial year.

The Internal Audit Strategic Plan is reviewed annually to ensure it remains aligned with the Shire's risk profile, strategic priorities and emerging assurance requirements. The Annual Internal Audit Work Plan may be amended throughout the year in response to emerging risks, legislative changes, organisational priorities or requests from the Chief Executive Officer or ARIC.

Together, these documents establish the strategic and operational priorities of the Internal Audit function and support the effective allocation of audit resources to areas of greatest organisational risk and assurance need.

Internal Audit Capacity and Resourcing

The Internal Audit function at the Shire of Dardanup is delivered by the Corporate Excellence & Compliance Officer under the oversight of the Chief Executive Officer.

As a single-resource internal audit function, the annual audit program is developed using a risk-based prioritisation methodology to ensure available audit resources are directed towards areas of greatest risk, legislative obligation, governance significance and organisational impact.

In addition to planned assurance activities, Internal Audit is responsible for a range of ongoing governance and compliance activities including:

- Internal audit planning and reporting.
- Monitoring implementation of audit recommendations.
- Coordination with external audit.
- Audit, Risk and Improvement Committee support.
- Governance and compliance advisory services.
- Fraud, risk and control advisory activities.
- Review of Auditor General reports and better practice guidance.
- Special investigations and management requests, where required.

Accordingly, it is not practical nor necessary for Internal Audit to review all business processes, systems and functions within a single planning cycle. Audit coverage is therefore prioritised based on:

- Risks.
- Legislative and regulatory obligations.
- Changes to systems or business processes.
- Previous audit outcomes.
- Management concerns and emerging risks.
- Audit, Risk and Improvement Committee priorities.

Where specialist expertise is required, or where circumstances warrant additional assurance activity, the Shire may consider engaging external resources subject to budget availability and approval.

Internal Audit activities may be reprioritised during the year in response to emerging risks, legislative changes, significant organisational projects, control failures, suspected misconduct matters or requests from the Chief Executive Officer or ARIC.

Internal Audit and Assurance Principles

The Internal Audit function will be guided by the following principles:

Independence and Objectivity

Internal Audit will perform its activities impartially and independently, providing unbiased assessments of governance, risk management, internal controls and compliance activities.

Risk-Based Focus

Audit resources will be directed towards areas of greatest risk, significance and assurance need, taking into account the Shire's strategic objectives, legislative obligations and emerging risks.

Value-Added Assurance

Internal Audit will seek to provide practical recommendations that strengthen governance, improve operational effectiveness, enhance compliance and support continuous improvement.

Accountability and Transparency

Audit activities, findings and recommendations will be communicated clearly and reported through appropriate governance channels.

Collaboration and Respect

Internal Audit will work constructively with management and employees to understand business processes, identify improvement opportunities and support positive organisational outcomes.

Continuous Improvement

Internal Audit will assess evolving risks, emerging better practices, Auditor General findings and lessons learned to continually improve the effectiveness of the Shire's control environment.

Efficient Use of Resources

Internal Audit activities will be planned and prioritised to maximise assurance coverage and organisational value while making effective use of available resources.

Methodology

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

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

- key Shire business risks.
- any key risks or control concerns identified by management.

- assurance gaps and emerging needs; and
- scope of work of other assurance providers, internal and external.

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

Internal Audit Activities Overview

The Internal Audit function provides a balanced program of assurance, advisory and governance support activities that contribute to the achievement of the Shire's strategic objectives and strengthen organisational governance, risk management, internal controls and compliance.

Given the breadth of the Shire's operations and the available audit resources, Internal Audit adopts a risk-based approach to ensuring audit effort is directed towards areas of greatest organisational significance and assurance need. Activities are designed to provide both independent assurance and practical recommendations that support continual improvement across the organisation.

Internal Audit activities generally fall within the following categories:

Assurance Activities

Assurance activities involve the independent assessment of governance arrangements, risk management practices, internal controls, financial management processes and legislative compliance obligations. These reviews provide assurance regarding the effectiveness of controls and identify opportunities to strengthen accountability, transparency and operational performance.

Assurance activities may include:

- Financial and transactional control reviews.
- Legislative and regulatory compliance reviews.
- Governance and policy compliance assessments.
- Fraud and corruption control reviews.
- Information management and cybersecurity-related reviews.
- Operational and process effectiveness reviews.
- Follow-up reviews of agreed audit actions and recommendations.

Advisory Activities

Advisory activities are undertaken at the request of the Chief Executive Officer and / or Executive Management to provide independent advice and guidance on governance, risk management, compliance and internal control matters. These activities are intended to support informed decision-making and continuous improvement.

Advisory activities may include:

- Review of proposed policies, systems or business processes.
- Governance, risk and compliance advice.
- Participation in project working groups or steering committees in an advisory capacity.
- Input into control design and risk mitigation strategies.
- Review of emerging risks and better practice guidance.

Governance and Audit Support Activities

Internal Audit also undertakes a range of activities that support the Shire's broader assurance framework, including:

- Development and maintenance of the Internal Audit Strategic Plan and Annual Internal Audit Work Plan.
- Monitoring implementation of audit recommendations.
- Liaison with external audit providers.
- Support to the Audit, Risk and Improvement Committee.
- Consideration of Auditor General reports and better practice guidance.
- Special reviews or investigations as approved by the CEO and / or Executive Management.

The balance between assurance, advisory and governance support activities will vary from year to year in response to the Shire's risk profile, organisational priorities, legislative obligations and available resources. This approach ensures Internal Audit remains responsive, focused on value-adding activities and aligned with the evolving assurance needs of the organisation.

Internal Audit Coverage Prioritisation

Internal Audit adopts a risk-based approach to determining audit coverage. The purpose of this approach is to ensure that available audit resources are directed towards areas of greatest organisational risk, legislative obligation, governance significance and assurance need. Given the breadth of the Shire's operations and finite audit resources, not all functions, systems and processes can be reviewed within a single planning cycle. Accordingly, audit activities are prioritised to maximise the value of assurance provided to Council, the CEO, Executive Management and the Audit, Risk and Improvement Committee.

When determining annual audit priorities, consideration is given to:

- Operational risks identified through the Shire's Risk Register.
- Legislative and regulatory compliance obligations.
- Financial materiality and exposure.

- Findings and recommendations from previous audits.
- Auditor General reports, better practice guides and sector-wide issues.
- Significant organisational change, new systems or major projects.
- Fraud and corruption risk exposure.
- Management concerns and emerging risks.
- Requests from the CEO, Executive Management or Audit, Risk and Improvement Committee.
- Areas that have not been independently reviewed within a reasonable timeframe.

Audit coverage is generally prioritised in the following order:

Priority 1: Statutory and Mandatory Assurance

Activities required to meet legislative, regulatory, financial reporting or governance obligations, including:

- Grant acquittal audits.
- External audit support and follow-up activities.
- Legislative compliance reviews.
- Implementation monitoring of significant audit recommendations.

Priority 2: High Risk Areas

Reviews of activities, systems or processes where there is significant exposure to:

- Financial loss.
- Regulatory non-compliance.
- Fraud or misconduct.
- Reputational damage.
- Service delivery disruption.

Priority 3: Strategic and Organisational Improvement Reviews

Reviews that assess the effectiveness, efficiency and economy of organisational processes, systems and controls, including cross-functional and whole-of-Shire reviews.

Priority 4: Advisory and Preventative Activities

Provision of governance, risk, control and compliance advice during the development of new projects, systems, processes and initiatives to reduce the likelihood of future control weaknesses.

The Annual Internal Audit Work Plan remains flexible and may be adjusted throughout the year in response to emerging risks, legislative changes, organisational priorities, significant incidents,

suspected misconduct matters, or requests from management and the Audit, Risk and Improvement Committee.

Internal Audit Objectives

The objective of the Internal Audit function is to provide independent, objective and risk-based assurance and advisory services that support effective governance, risk management, internal control and legislative compliance across the Shire.

Internal Audit seeks to:

- Provide assurance to Council, the Chief Executive Officer, Executive Management and the Audit, Risk and Improvement Committee regarding the effectiveness of the Shire's governance, risk management and internal control frameworks.
- Evaluate compliance with applicable legislation, regulations, policies, procedures and other governance requirements.
- Identify opportunities to strengthen controls, improve operational efficiency and enhance organisational effectiveness.
- Promote accountability, transparency and continuous improvement throughout the organisation.
- Provide practical recommendations that assist management to address risks and improve business processes.

The objectives, scope and level of assurance for each audit engagement will be determined having regard to the relevant risks, legislative obligations and organisational priorities. Audit planning will be undertaken in consultation with the Chief Executive Officer and / or Director Corporate & Governance.

Roles and Responsibilities

The Internal Audit program is delivered by the Corporate Excellence & Compliance Officer, under the direction of the Chief Executive Officer with support from other Shire officers as required. Internal Audit is responsible for delivering assurance and advisory activities in accordance with this Internal Audit Strategic Plan and the approved Annual Internal Audit Work Plan.

Internal Audit is responsible for:

- Developing and maintaining the Internal Audit Strategic Plan and Annual Internal Audit Work Plan.
- Conducting risk-based assurance and review activities across the organisation.
- Assessing the effectiveness of governance, risk management, internal controls and compliance processes.

- Reporting audit outcomes, findings, recommendations and observations to Executive Management, and the Audit, Risk and Improvement Committee as appropriate.
- Monitoring and reporting on the implementation of agreed audit recommendations.
- Providing independent and objective advice on matters relating to governance, risk, compliance and internal controls, where requested.
- Monitoring relevant Auditor General reports, better practice guidance and emerging issues affecting the local government sector.

To enable Internal Audit activities to be undertaken effectively, Internal Audit will have timely access to records, systems, information, property and personnel relevant to the conduct of an audit engagement, subject to any legislative, privacy or confidential requirements.

Management is responsible for maintaining effective systems of governance, risk management, internal control and compliance, and for implementing agreed actions arising from audit findings within agreed timeframes.

The Internal Audit Strategic Plan and Annual Internal Audit Work Plan will be reviewed annually and may be amended during the year to respond to emerging risks, legislative changes, significant organisational projects, control weaknesses, suspected misconduct matters, or requests from the Chief Executive Officer or the Audit, Risk and Improvement Committee.

At the conclusion of each internal audit engagement, a report will be provided to the Chief Executive Officer detailing the scope of the review, audit methodology, key findings, observations, conclusions and any recommendations for improvement. Management responses and agreed actions will be documented and monitored by Internal Audit, with the status of outstanding recommendations reported to the Chief Executive Officer.

Auditor General Reports and Better Practice Guidance

The Office of the Auditor General (OAG) provides an important source of independent assurance, sector insights and better practice guidance relevant to local government operations. Auditor General performance audit reports, financial audit findings and related publications identify common risks, control weaknesses, governance issues and opportunities for improvement across the public sector.

Internal Audit will monitor and consider relevant Auditor General reports, better practice guides and audit findings when developing the Internal Audit Strategic Plan and Annual Internal Audit Work Plan. Consideration will be given to the applicability of identified risks, recommendations and lessons learned to the Shire's operations, systems and processes.

Where appropriate, Internal Audit may undertake targeted reviews or self-assessments against Auditor General findings and better practice recommendations to provide assurance that relevant controls are operating effectively and that opportunities for improvement have been identified and addressed.

The outcomes of relevant reviews may be reported to the Chief Executive Officer, Executive Management and the Audit, Risk and Improvement Committee to support informed decision-making, continuous improvement and effective governance.

This approach assists the Shire to:

- Strengthen governance, risk management and internal control frameworks.
- Identify emerging risks and sector-wide issues.
- Benchmark practices against recognised public sector standards.
- Promote continuous improvement and organisational learning.
- Enhance assurance provided to Council and the Audit, Risk and Improvement Committee.

***Risk Management
Governance Framework***
September 2026

Document Control					
Document ID: Risk Management Governance Framework					
Rev No	Date	Revision Details	Author	Approver	Adopted
1.0	1/09/2017	Original Framework created and adopted	LGIS / Phil Anastasakis	Phil Anastasakis	15/09/2017
2.0	30/06/2019	Framework revised in conjunction with LGIS workshop	LGIS / Cindy Barbetti	Phil Anastasakis	14/08/2019 OCM Res 250-19
3.0	20/03/2023	Framework updated in conjunction with LGIS	LGIS / Cindy Barbetti	Phil Anastasakis	28/06/2023 OCM Res 168-23
	30/05/2023	Framework reviewed and endorsed by EMT			
4.0	02/06/2026	Risk Workshop held with Marsh Advisory and Framework updated in conjunction with LGOS	LGIS / Cindy Barbetti	EMT	23/09/2026 OCM Res XX-26
	23/07/2026	Framework reviewed and endorsed by EMT			
	09/11/2026	Framework reviewed and recommended to Council		ARIC	
For Review: September 2029					



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INTRODUCTION

The Shire of Dardanup's Risk Management Policy ([AP023](#)) together with the components of this document, forms the Shire's Risk Management Governance Framework.

It sets out the approach to the identification, assessment, management, reporting and monitoring of risks.

All components of this document are based on AS/NZS ISO 31000:2018 Risk Management - Guidelines.

It is essential that all areas of the Shire adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations, and internal policies.
- Uncertainty and its effects on objectives are understood.

This framework aims to balance a documented, structured, and systematic process with the Shire's current size, resource availability and complexity.

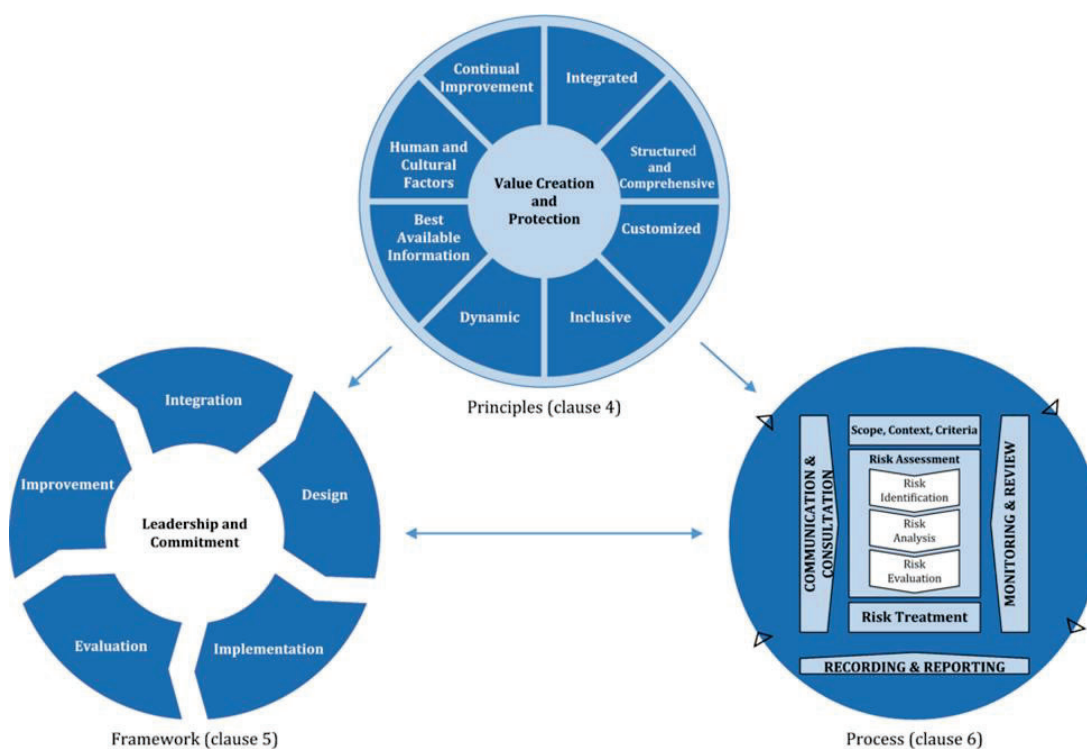


Figure 1: Relationship between the risk management principles, framework, and process
(Source: ISO 31000:2018)

GOVERNANCE

Appropriate governance of risk management within the Shire provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of the risk management functions.
- An effective governance structure to support the risk framework.

Framework Review

The Risk Management Governance Framework is to be reviewed for appropriateness and effectiveness at least once in every three years, or sooner if there has been material restructure or change in the risk and control environment.

Operating Model

The Shire has adopted a **“Three Lines of Defence”** model for the management of risk. This model ensures roles, responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, our Council, Executive, and other stakeholders will have assurance that risks are managed effectively to support delivery of the Shire’s Strategic and Operational Plans.

First Line of Defence

All operational areas of the Council are considered **‘1st Line’**.

They are responsible for ensuring that risks within their scope of operations are identified, assessed, managed, monitored, and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include:

- Establish and implement appropriate processes and controls for the management of risk in line with these procedures.
- Undertake adequate analysis to support the risk decision-making process.
- Retain primary accountability for the ongoing management of their risk and control environment.

Second Line of Defence

The Shire’s Risk Framework Owner (Corporate Excellence & Compliance Officer) acts as the primary **‘2nd Line’**. This position owns and manages the Framework for risk management. They draft and implement the governance procedures and provide the necessary tools and training to support the 1st line process.

The Shire’s Executive Management Team (EMT) supplement the 2nd Line of defence.

Maintaining oversight on the application of the Framework provides a transparent view and level of assurance to the 1st and 3rd lines on the risk and control environment. Additional responsibilities include:

- Providing independent oversight of risk matters as required.
- Monitoring and reporting on emerging risks.



- Co-ordinating the Shire's risk reporting for the Executive Management Team and the Audit, Risk and Improvement Committee.
- Performing control assurance activities across the Shire's key processes as required.

Third Line of Defence

Internal and External Audit are the '**3rd Line**' of defence, providing independent assurance to Council, the Audit, Risk and Improvement Committee and the Executive on the effectiveness of business operations and oversight frameworks (1st and 2nd Line).

Internal Audit Appointed by the CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope of which would be determined by the CEO with input from the Audit, Risk and Improvement Committee.

External Audit Appointed by the Office of the Auditor General (OAG).

Governance Structure

The following diagram depicts the current operating structure for risk management within the Shire.

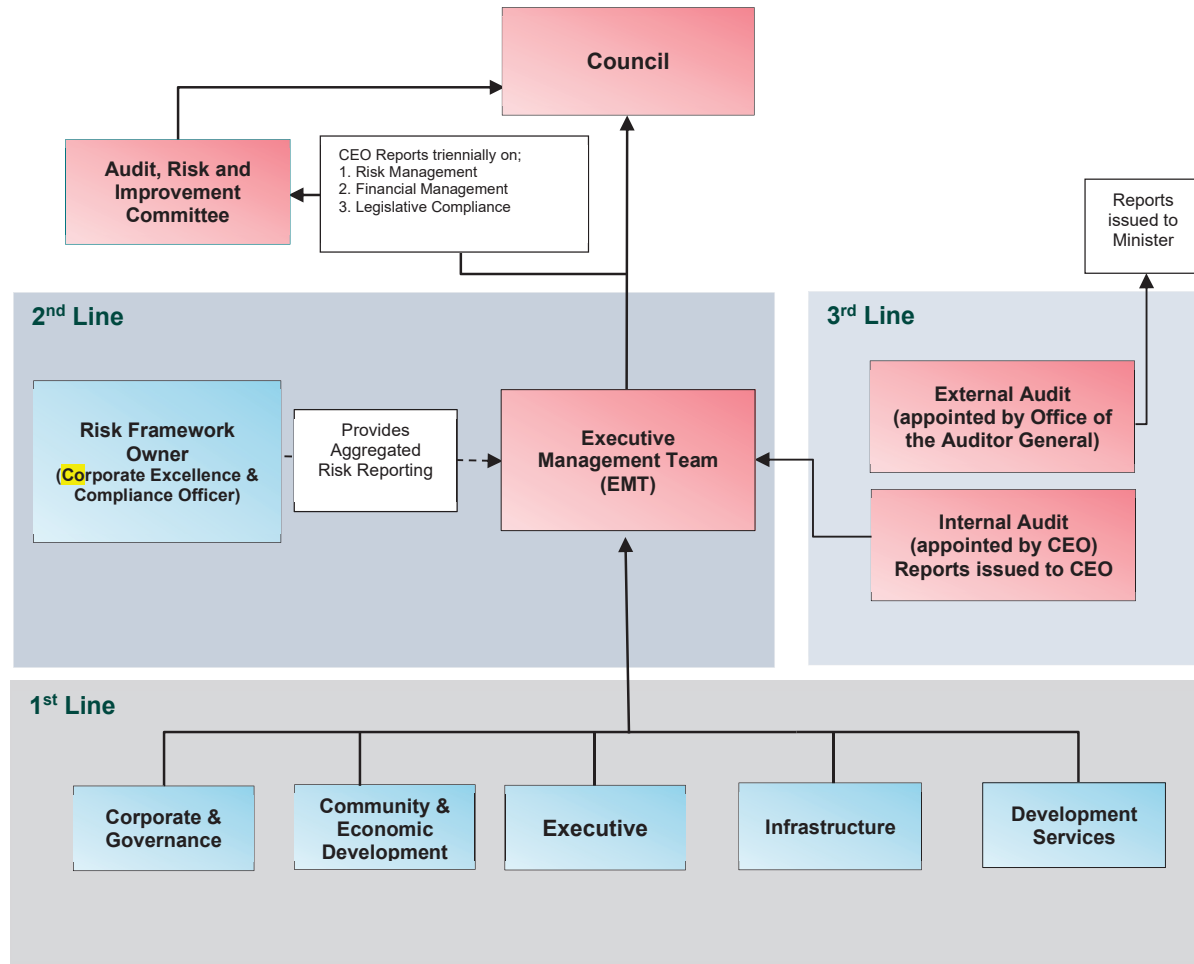


Figure 2: Three Lines of Defence Operating Model

Roles and Responsibilities

Council

- Review and approve the Shire of Dardanup's Risk Management Governance Framework.
- Receive and consider the annual audited financial statements and audit reports in accordance with legislative requirements.
- Establish and maintain an Audit, Risk and Improvement Committee in terms of the *Local Government Act 1995*.

Audit, Risk and Improvement Committee

- Regular review of the appropriateness and effectiveness of the Framework.
- Support Council to provide effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Must be independent, objective, and autonomous in deliberations.

CEO / Executive Management Team

- Appoint Internal Auditor(s) as required under *Local Government (Audit) Regulations 1996*.
- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of AP023 Risk Management Policy and the Risk Management Governance Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues, and trends.
- Document decisions and actions arising from risk-related matters.
- Own and manage strategic and operational risk.

Corporate Excellence & Compliance Officer

- Oversee and facilitate the Risk Management Governance Framework.
- Support reporting requirements for risk-related matters.

Work Areas

- Drive risk management culture within work areas.
- Own, manage, and report on specific risk issues as required.
- Assist in the risk and control management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate risk management into meetings, by discussing:
 - Any new or emerging risks.
 - Review existing risks.

- Control adequacy.
- Any outstanding issues and actions.

Document Structure (Framework)

The following diagram depicts the relationship between the risk management policy, framework and supporting documentation and reports.

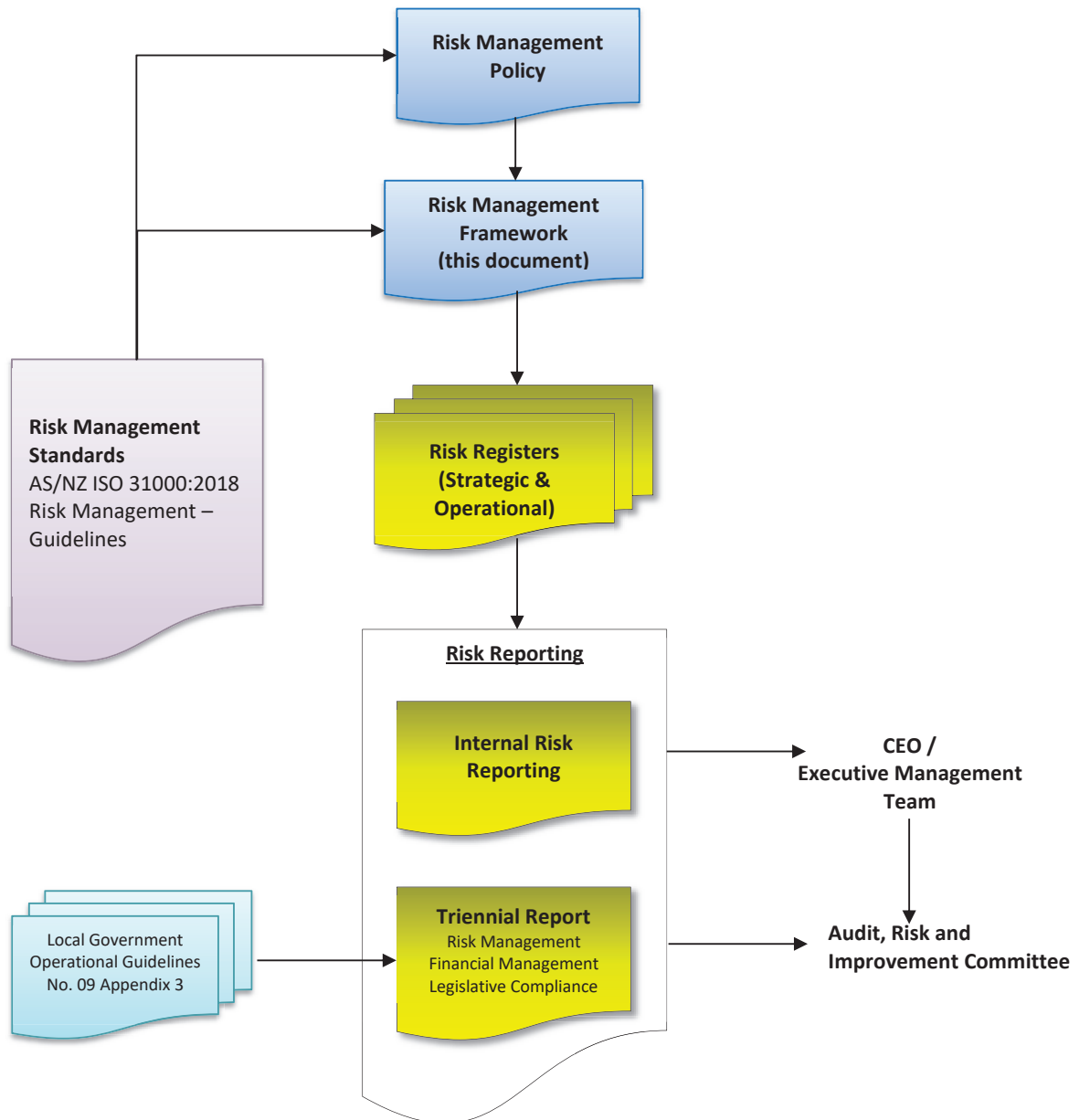


Figure 3: Document Structure

RISK MANAGEMENT PROCEDURES

All work areas of the Shire are required to assess and manage their risk on an ongoing basis.

In general, risks need to be:

- Reflective of the Shire's material risk landscape.
- Reviewed regularly so that they remain current.
- Maintained in the standard format.

The risk management process is standardised across all areas of the Shire. The following diagram outlines that process, followed by broad descriptions of each step from A to H.

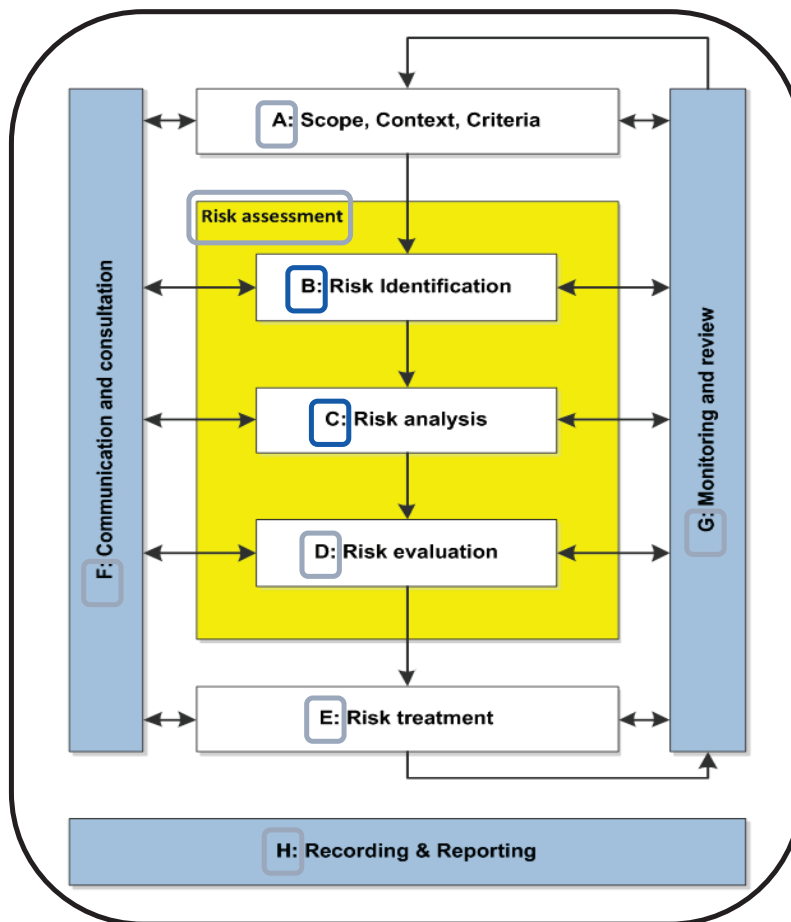


Figure 4: Risk Management Process – Source ISO 31000:2018

A: Scope, Context, Criteria

The first step in the risk management process is to understand the background within which risks are to be assessed and what is being assessed, whether that be an object, activity, project, division or the whole organisation. This forms two elements: 'Organisational Criteria' and 'Scope and Context':

Organisational Criteria

This includes what the organisation is trying to achieve and the Risk Assessment and Acceptance Criteria ([Appendix A](#)).

All risk assessments are to utilise these Risk Criteria to allow consistent and comparable risk information.

Scope and Context

In addition to understanding what is to be assessed, it is also important to understand the source of the risk (internal or external to the organisation) and who the key stakeholders are or areas of expertise that may need to be included in the risk assessment.

Since risk is defined as *the effect of uncertainty on objectives* (AS/NZS ISO 31000), the Shire has three levels of risk assessment Context:

1. Strategic Context

These risks are associated with **achieving the organisation's long-term objectives** and may include:

- Organisational Values and Vision
- Stakeholder Analysis / Environment Scan / SWOT Analysis
- Strategies / Objectives / Goals

The Executive Management Team own and manage these risks.

2. Operational Context

These risks are associated with **achieving the Shire's day-to-day business objectives**, activities, functions, and services.

Prior to identifying operational risks, the operational area should identify its business objectives i.e., what it is aiming to achieve?

The Executive Management Team delegate responsibility for the management of these risks to the Management Team, however, remain the owners of these risks.

3. Project Context

These risks are associated with **achieving the Shire's change initiatives**. Project Risk has two main components:

- **Indirect** refers to the strategic or operational risks to the Shire that may arise **because** of the Project.
- **Direct** refers to the risks that threaten delivery of **actual project outcomes**.

These risks are generally managed by the Project Manager and owned by the Executive.

B: Risk Identification

Note that Risk identification is the first step of a three-part 'Risk Assessment', consisting of Risk Identification, Risk Analysis and Risk Evaluation.

Once the 'Context' has been determined, the next step is to identify risks. This is the process of finding, recognising and describing risks.

Risks are described as the point along an event sequence where control has been lost.

An event sequence is shown below:



Figure 5: Risk Event sequence

The objective of the 'Risk Identification' step is to identify potential risks that could stop the Shire from achieving its objectives. This step is also where opportunities for enhancement or gain across the organisation can be found.

In conjunction with relevant stakeholders and subject matter experts, ask the questions listed below.

These questions should be used only as a guide to identifying risks and additional analysis may be required. Ask:

- What can go wrong? / What are areas of uncertainty? (**a: Risk Description**)
 - How could this risk occur? (**b: Potential Causes**)
 - What are the current measurable activities that mitigate this risk from occurring? (**c: Controls**)
 - What are the potential consequential outcomes of the risk occurring? (**d: Consequences**)
- a. **Risk Description** – describes what the risk is and specifically where control may be lost. They are not to be confused with the outcomes or the consequences of a risk event.
 - b. **Potential Causes** – are the conditions that may present or the failures that may give rise to a point in time when control is lost.
 - c. **Controls** – are measures that modify risk. Controls must meet the following three tests to be considered as controls:
 1. Is it a physical object, technological system or human action.
 2. It arrests or mitigates an unwanted sequence.
 3. It is specifiable, measurable, and auditable.

See below:

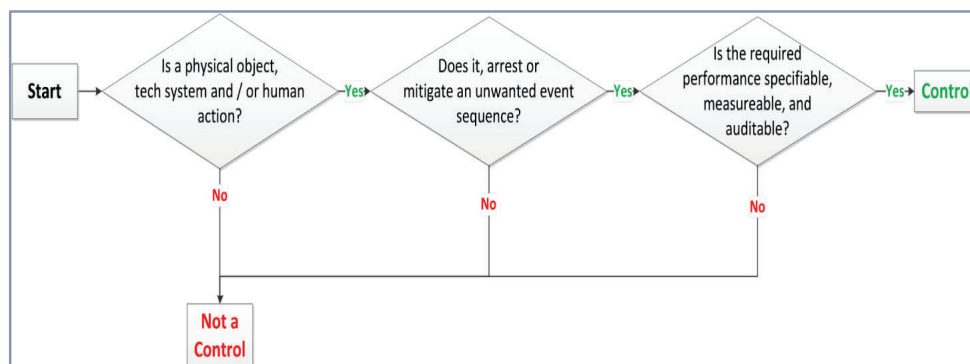


Figure 6: Test for Control Considerations

- d. **Consequences** – these need to be impacts to the Shire and could be health of staff, visitors, or contractors; financial consequences; interruption to services; non-compliance; or damage to reputation, assets or the environment.

C: Risk Analysis

There are two steps to a Risk Analysis; determine the effectiveness of key controls; and calculate the residual risk rating.

Risk analysis gives the ability to prioritise and compare risks and drive risk-based decision making.

The main outcome of a risk analysis is the ranking of risk from 'Low' to 'Extreme'.

This is determined by considering the **likelihood** that a risk event will occur and the **consequences** of it occurring, taking into account any Controls that are in place, and how effective these Controls are.

Controls fit into three distinct types:

- **Preventative Controls** - are aimed at preventing the risk occurring in the first place.
- **Detective Controls** - are used to identify failures in preventative controls. They include: audits, stocktakes, and reviews.
- **Corrective (or Reducing) Controls** - are aimed at minimising the consequences that arise from the risk event.

Step 1 - Consider the effectiveness of Key Controls.

Design Effectiveness

Controls that have inadequate designs will never be effective, even if performed perfectly by the operator every time. Consider:

- **Complete** – The Control is not forgotten or completed multiple times.
- **Accurate** – The Control has no errors or missing components.
- **Timely** – The Control allows the process to be completed within service delivery standards.
- **Theft or Fraud** – The Control does not expose the organisation to theft or other fraudulent activities.

It is difficult to have a single Control that meets all these requirements. It is therefore important to consider multiple Controls to ensure all of these components can be met.

Operating Effectiveness

The best-designed Controls will have no impact if they are not applied correctly by the operator.

Confirm operating effectiveness by:

- **Re-perform** – re-perform the same task, to ensure that the same outcome is achieved.
- **Inspect** – review the outcome of the task to confirm that the desired outcome was achieved.
- **Observe** – physically watch the task or process being performed.
- **Inquire** – determine understanding of the tasks and how they mitigate risk.

Overall Effectiveness

This is the value of the combined controls in mitigating the risk.

The measure for applying a value to the overall control is the same as for individual controls and can be found in [Appendix A](#) Existing Control Ratings.

Step 2 – Calculate the Residual Risk Rating.

The Shire's Risk Assessment and Acceptance Criteria ([Appendix A](#)) is now applied to complete the analysis of the identified risks.

There are three components to this step:

1. Make a qualitative judgement of the worst scenario that is foreseeable if the risk were to eventuate without existing Controls in place. **(Consequence)**
2. Determine how likely it is that the worst scenario that is foreseeable will eventuate with existing Controls in place. **(Likelihood)**

Using the Shire's Risk Matrixes, multiply the measures of consequence and likelihood to determine the risk rating. **(Consequence X Likelihood = Risk Rating)**

D: Risk Evaluation

The risk evaluation takes the Risk Rating and applies it to the Shire's Risk Acceptance Criteria to determine whether the risk is within acceptable levels for the Shire.

This evaluation will determine whether the risk is Low, Moderate, High or Extreme.

It will also determine if any actions or treatments need to be implemented or the risk escalated due to urgency or level of risk.

End of Risk Assessment

E: Risk Treatment

Where Controls are inadequate or do not reduce a risk level sufficiently to fall within appetite, a treatment option must be implemented to further mitigate the risk.

- Regardless of the risk rating **Controls rated 'Inadequate'** must have a treatment plan (action plan) to improve the control effectiveness to at least 'Adequate'.
- If the Risk Rating is High or Extreme, a Treatment Plan must be implemented to either reduce the consequence of the risk materialising or reduce the likelihood of occurrence.

Where this is not possible, a Treatment Plan must be implemented to improve the control effectiveness to 'Effective' and approval to accept the risk obtained as per the Risk Acceptance Criteria.

There are four broad Treatment options available:

1. **Avoid:** avoid the activity or event that would give risk to the risk.
2. **Treat (Mitigate):** implement new Controls or improve existing Controls to reduce the likelihood and/or consequence of the risk.
3. **Transfer/Share:** transfer or share the risk with another party, generally through insurance, contractual arrangements or partnership agreements.
4. **Accept:** accept the risk where it falls within the Shire's risk appetite or where further treatment is not reasonably practicable. Acceptance of risks outside appetite must be approved in accordance with the Risk Acceptance Criteria.

Risk Acceptance

Risk Acceptance is a decision to accept (within authority levels), risks that fall within the Shire's risk appetite.

For those risks that remain outside of appetite, the following process must be followed;

The 'Risk Acceptance' must be in writing, signed by the relevant Manager, copied to the CEO, and include:

- A description of the risk and the reasons for holding a risk outside of appetite.
- An assessment of the risk (consequence, materiality, likelihood, assumptions, etc).
- Details of any mitigating action plans or treatment options in place.
- An estimate of the expected remediation date.

A lack of budget or funding for a material risk outside of appetite is not sufficient justification for acceptance of a risk.

F: Communication and Consultation

Effective communication and consultation are essential to ensure that those responsible for managing risk, and those with a vested interest, understand the basis on which decisions were made and why particular Treatment options were selected.

Communicating and consulting with relevant stakeholders assists in the reduction of components of uncertainty and ensures decisions are based on the best available knowledge.

G: Monitoring and Review

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

Regular review of the effectiveness and efficiency of Controls and the appropriateness of Treatment options will determine if the organisation's resources are being put to the best use possible.

Risk Review Frequency

To ensure risk remain current and appropriately managed, risks are to be reviewed in accordance with the following minimum reporting requirements:

Residual Risk Rating	Review Frequency	Responsibility
Extreme	Monthly or as circumstances change	CEO / EMT
High	Quarterly	Director / Manager
Moderate	Six Monthly	Manager / Supervisor
Low	Annually	Risk Owner

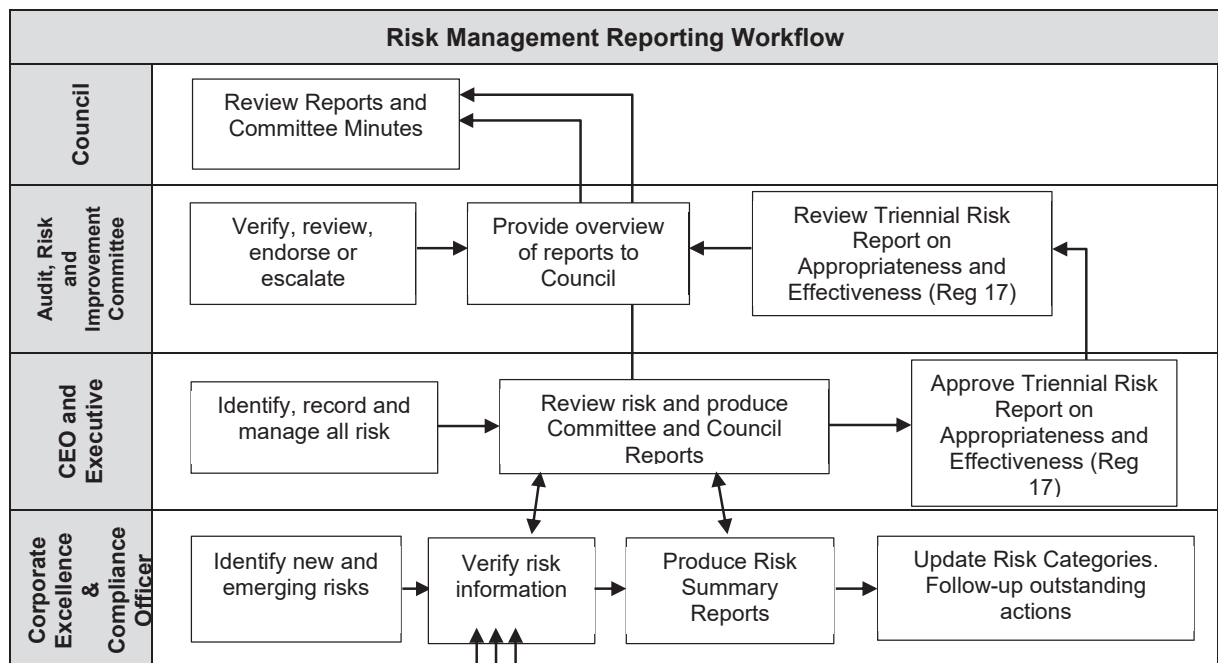
Risk reviews should consider:

- Control effectiveness.
- Progress of treatment actions.
- Changes to likelihood or consequence.
- Emerging risks.
- Changes in legislation, service delivery or operating environment.
- Whether escalation or reporting requirements have changed.

During the reporting process, management are required to review any risks and Controls in their area and follow up on any outstanding treatments to mitigate those risks.

H: Recording and Reporting

The following diagram provides a high-level view of the ongoing reporting process for risk management.





Work Areas	Identify, record and manage Operational risk Provide updates on: 1. New / emerging risks
Project Manager	Identify, record and manage Project risks

Project Manager

- Ensure risk management activities are integrated into project planning, procurement, contract management and project governance processes.
- Identify, record and manage project specific risks and opportunities throughout the project life cycle.
- Continually provide updates in relation to new, emerging risks, control effectiveness and key indicator performance to the Corporate Excellence & Compliance Officer.

Work Areas

- Continually provide updates in relation to new, emerging risks, control effectiveness and key indicator performance to the Corporate Excellence & Compliance Officer.
- Work through assigned actions and provide relevant updates to the Corporate Excellence & Compliance Officer.
- Risks / Issues reported to the CEO and the Executive Management Team are reflective of the current risk and control environment.

Corporate Excellence & Compliance Officer

- Ensuring the Risk Management Governance Framework and the Risk Profiles are formally reviewed and updated, at least on a 3-year rotation or earlier when there has been a material restructure, change in risk ownership or change in the external environment.
- Six monthly Risk Dashboard Reporting for the CEO and the Executive Management Team – contains an overview of the Risk Summary for the Council through the Audit, Risk and Improvement Committee.
- Ensuring the Annual Compliance Audit Return completion and lodgement by the 31 March each year by the Manager Governance.

Director Corporate & Governance

- Ensuring the Regulation 17 triennial review on the appropriateness and effectiveness of the Council's systems and procedures in relation to risk management, financial management and legislative compliance is undertaken. The CEO is to report to the Audit, Risk and Improvement Committee the results of that review,



- Reviews the proposed changes to the Risk Management Governance Framework and the Risk Profiles, as part of the 3-year review process, prior to acceptance by EMT.

CEO/Executive Management Team

- Approves the six-Monthly Risk Dashboard Report, together with any new or emerging risks, and key indicator performances.
- Approves changes to the Risk Management Governance Framework and the Risk Profiles, as part of the 3-year review process, prior to acceptance by Council.

Audit, Risk and Improvement Committee

- Responsible for reviewing reports from the CEO on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, financial management and legislative compliance (Regulation 17). The committee will report to Council the results of that review including a copy of the Chief Executive Officer's report.
- Receive the six-monthly Risk Dashboard Report and report to Council the results of that report.
- Receive the updated Risk Management Governance Framework and recommend for Council approval.

RISK PROFILES

Operational Risks

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.
7. Environment Management	Inadequate prevention, identification, enforcement, and management of environmental issues.

RISK PROFILE	RISK DESCRIPTION
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.

Appendix A – Risk Assessment and Acceptance Criteria

Shire of Dardanup Measures of Consequence							
Rating (Level)	Health/People	Financial	Service Interruption	Legal and Compliance	Reputational	Environment	Property
Insignificant (1)	Near miss Minor first aid injuries	Less than \$10,000; or <5%	No material service interruption < 3 hours	Compliance - No noticeable regulatory or statutory impact. Legal - Threat of litigation requiring small compensation. Contract - No effect on contract performance.	Unsubstantiated, low impact, low profile or 'no news' item. Example: Gossip, Facebook item seen by limited persons.	Contained, reversible impact managed by on site response.	Inconsequential damage.
Minor (2)	Medical type injuries	\$10,001 - \$50,000; or 5-10%	Short term temporary interruption – backlog cleared < 1 day	Compliance - Some temporary non compliances. Legal - Single minor litigation. Contract - Results in meeting between two parties in which one party expresses concern.	Un/Substantiated, low impact, low news item. Example: Local paper / Industry news article, Facebook item seen by multiple groups.	Contained, reversible impact managed by internal response.	Localised damage rectified by routine internal procedures.
Moderate (3)	Lost time physical or mental injury <30 days / Multiple staff morale problems	\$50,001 - \$300,000; or 10-25%	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Compliance - Short term non-compliance but with significant regulatory requirements imposed. Legal - Single moderate litigation or numerous minor litigations. Contract - Receive verbal advice that, if breaches continue, a default notice may be issued.	Un/Substantiated, public embarrassment, moderate impact, moderate news profile. Example: State-wide paper, TV News story.	Contained, reversible impact managed by internal and external agencies.	Localised damage requiring internal and external resources to rectify.
Major (4)	Long-term physical or mental injury >30 days / Widespread staff morale problems	\$300,001 - \$1.5 million; or 25-50%	Prolonged interruption of services – additional resources required; performance affected < 1 month	Compliance - Non-compliance results in termination of services or imposed penalties. Legal - Single major litigation or numerous moderate litigations. Contract - Receive/issue written notice threatening termination if not rectified.	Substantiated, public embarrassment, high impact, high news profile, third party actions. Example: Australia wide news stories. Regulatory / Political commentary involvement.	Uncontained, reversible impact managed by a coordinated response from external agencies.	Significant and/or widespread damage requiring internal and external resources to rectify.
Catastrophic (5)	Fatality, permanent disability. Shire no longer an employer of choice. Loss of key staff.	More than \$1.5 million; or more than 50%	Indeterminate prolonged interruption of services – non- performance > 1 month	Compliance - Non-compliance results in litigation, criminal charges or significant damages or penalties. Legal - Numerous major litigations. Contract - Termination of contract for default.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions. Example: Worldwide news, Focused articles (e.g. 60 minutes). Regulatory / Political oversight and involvement.	Uncontained, irreversible impact.	Extensive damage requiring prolonged period of restitution. Complete loss of plant, equipment and building.

FOR ADOPTION

Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

Consequence X Likelihood = Risk Rating

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

FOR ADOPTION

Risk Acceptance Criteria				
Risk Rank	Description	Criteria	Responsibility	Entered on Risk Register
LOW (1 – 4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Staff Member / Supervisor	No
MODERATE (5 – 11)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Supervisor / Manager	No
HIGH (12 – 19)	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Manager / Director / EMT	Yes
EXTREME (20 – 25)	Unacceptable	Risk generally not acceptable. Where an Extreme risk cannot be reduced to a lower risk rating despite implementation of all reasonably practicable treatment measures, acceptance must be supported by documented justification, approved by Council, and subject to continuous monitoring and regular review.	EMT / CEO / Council	Yes

Existing Controls Ratings		
Rating	Foreseeable	Description
Effective	There is no scope for improvement with all available resources.	Controls are operating as intended and aligned with policies and procedures. Controls are documented, up to date, understood by users, not forgotten or components missed, does not expose the organisation to theft or fraud and is delivered consistently within statutory or service delivery standards. Controls are subject to ongoing monitoring. Controls are reviewed and tested regularly.
Adequate	There is some scope for improvement.	Controls are generally operating as intended; however, inadequacies exist. Limited monitoring of controls. Controls are reviewed and tested, but not regularly.

FOR ADOPTION

Existing Controls Ratings		
Rating	Foreseeable	Description
Inadequate	There is a need for improvement or action.	Controls are not operating as intended. Controls do not exist or are not being complied with. Controls have not been reviewed or tested for some time.

Appendix B – Risk Management Policy

POLICY NUMBER & TITLE	AP023 RISK MANAGEMENT
Responsible Directorate	Corporate & Governance Directorate

1. PURPOSE OR OBJECTIVE

The objective of this policy is to state the Shire of Dardanup's intention to identify potential risks before they occur so that impacts can be minimised or opportunities realised; ensuring that the Shire achieves its strategic and corporate objectives efficiently, effectively and within good corporate governance principles.

2. DEFINITIONS

Definitions are taken as those in the *AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*.

Risk Effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected – positive or negative.

Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product, or process).

Risk Management Coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process Systematic application of management policies, procedures, and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, and reviewing risk.

3. POLICY STATEMENT

It is the Shire's policy to strive to achieve the best practice aligned with AS/NZS ISO 31000:2018 Risk Management Guidelines, in the management of all risks that may affect the Shire meeting its objectives.

Risk management functions will be resourced appropriately to match the size and scale of the Shire's operations, will form part of the strategic, operational, and project responsibilities, and be incorporated within the Shire's Integrated Planning and Reporting Framework.

This policy applies to all Council Members, Employees and Contractors involved in any Shire operations.

Policy Details

The Shire is committed to ensuring that risk management:

- Optimises the achievement of the Shire's values, strategies, goals, and objectives.
- Aligns with and assists the implementation of Shire policies.
- Provides transparent and formal oversight of the risk and control environment enabling effective decision-making.
- Reflects risk versus return considerations within the Shire's risk appetite.
- Embeds appropriate and effective controls to mitigate risk.
- Achieves effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhances organisational resilience.

- Identifies and provides for the continuity of critical operations.

Roles and Responsibilities

The CEO is responsible for the:

- Implementation of this Policy.
- Measurement and reporting on the performance of risk management.
- Review and improvement of this policy and the Shire's Risk Management Governance Framework at least triennially, or in response to a material event or change in circumstances.

The Shire's Risk Management Governance Framework outlines in detail all further roles and responsibilities associated with managing risks within the Shire. The Framework also establishes the methodology, assessment criteria and reporting requirements for organisational risk management.

Risk Acceptance and Acceptance Criteria (Risk Tables)

The Shire has quantified its broad risk appetite through the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Shire's Risk Management Governance Framework.

All organisational risks are to be identified, assessed, treated and monitored in accordance with the Shire's Risk Management Governance Framework. Risk assessments are to be undertaken using the approved risk assessment methodology, acceptance criteria and reporting requirements contained within the Framework.

Monitor and Review

The Shire will implement and integrate a monitor and review process to report on the achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by the Executive Management Team and be formally reviewed triennially.

4. DOCUMENT CONTROL

DOCUMENT RESPONSIBILITIES:			
Owner:	Corporate Excellence & Compliance Officer		
Reviewer:	Director Corporate & Governance	Decision Maker:	CEO/EMT
COMPLIANCE REQUIREMENTS:			
Legislation:	Local Government Act 1995		
Other (Plans, Strategies, Policies, Procedures, Standards, Promapp, Delegations):	PR036 Risk Assessment and Reporting Australian Standard AS/NZS ISO 31000:2018 – Risk Management – Principles and Guidelines Shire of Dardanup Risk Management Governance Framework Shire of Dardanup Risk Profile Reporting Tool		
DOCUMENT MANAGEMENT:			
Risk Rating:	Moderate	Records Ref:	R0000774456
Review Frequency	Triennial	Next Due:	23-07-2029
Version #	Date & Decision Reference:	Synopsis:	
1	24-07-2013 OCM Res: 240/13	EXEC42 Council Policy Created	
2	25-01-2017 OCM Res: 02/17	EXEC42 Superseded	
3	25-01-2017 OCM Res: 02/17	AP023 New Admin Policy Document endorsed	
4	14-08-2019 OCM Res: 250/19	AP023 Updated as part of the Risk Management Governance Framework	
5	30-05-2023 EMT	AP023 Updated as part of the 3 yearly Risk Management Governance Framework review and endorsed by EMT/CEO.	

6	23-07-2026 EMT	AP023 Updated as part of the 3 yearly Risk Management Governance Framework review and endorsed by EMT/CEO.
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Note: Changes to Compliance Requirements may be made without the need to take the Policy to EMT/CEO for review.

Appendix C – Risk Assessment for Council Reporting Procedure

PROCEDURE NO & TITLE	PR036 RISK ASSESSMENT FOR COUNCIL REPORTING
Responsible Directorate	Corporate & Governance Directorate

1. PURPOSE OR OBJECTIVE

To provide a consistent approach for identifying, assessing and reporting risks associated with decisions made under delegated authority, by committees and by Council.

This procedure supports Administration Policy AP023 Risk Management and is to be applied in conjunction with the Shire's Risk Management Governance Framework.

2. DEFINITIONS

Definitions are taken as those in the *AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines* and the Shire's Risk Management Governance Framework.

3. PROCEDURE

3.1 Risk Assessment Requirements

The Risk Management Governance Framework provides direction for officers in assessing the risks associated with operational, strategic and project decisions.

A Risk Assessment Tool must be completed for all reports submitted to Council and Council Committees.

The Risk Assessment Tool is to be completed in accordance with the Risk Management Governance Framework using the approved risk assessment criteria and methodology.

The completed Risk Assessment Tool is to be attached to the relevant Council or Committee report.

The Risk Assessment section within the report is to provide a summary of the completed assessment, including the identified risks, proposed treatment actions (where applicable) and risk ratings.

3.2 Risk Reporting Tiers

The reporting tier is determined by the highest inherent risk rating identified across all risk events contained within the Risk Assessment Tool.

Tier 1 – No Material Risk Identified

Where no material risk event has been identified, the report should include a statement confirming that a risk assessment has been undertaken and that no material risk has been identified.

The completed Risk Assessment Tool must still be attached to the report.

Tier 2 – Low or Moderate Inherent Risk

Where the highest inherent risk identified is Low or Moderate, the report should summarise:

- the key risk category or categories identified;
- the relevant risk event(s); and
- the inherent and residual risk ratings.

Tier 3 – High or Extreme Inherent Risk

Where the highest inherent risk identified is High or Extreme, the report should summarise:

- the relevant risk event(s);
- the inherent risk rating;
- proposed treatment actions and controls;
- the residual risk rating; and
- any ongoing management or monitoring requirements.

The detailed assessment is to be documented within the Risk Assessment Tool and attached to the report.

3.3 Risk Treatment and Escalation

Where treatment actions are identified through the Risk Assessment Tool, the proposed controls and treatment measures are to be documented within the assessment and summarised within the report.

Where a residual risk remains High or Extreme following the implementation of controls and treatment measures, the risk is to be referred to the relevant Director for consideration for inclusion in the Corporate Risk Register.

Council reports relating to High or Extreme residual risks must clearly identify:

- the residual risk rating;
- proposed treatment actions;
- any ongoing monitoring requirements; and
- the implications of accepting the residual risk.

3.4 Risk Register

Residual risks rated High or Extreme are to be referred to the relevant Director and Executive Management Team for consideration for inclusion in the Corporate Risk Register in accordance with the Risk Management Governance Framework.

The Corporate Risk Register is maintained separately and monitored in accordance with the Framework.

3.5 Responsibilities

Officers

- Complete the Risk Assessment Tool.
- Ensure risks are adequately assessed and documented.
- Attach the completed assessment to the report.
- Summarise the assessment within the Risk Assessment section of the report.

Directors

- Review the adequacy of risk assessments for significant proposals.
- Ensure High and Extreme risks are appropriately escalated.

Executive Management Team

- Monitor significant organisational risks.
- Review risks for inclusion in the Corporate Risk Register.

Chief Executive Officer

- Ensure implementation of Administration Policy AP023 Risk Management.
- Maintain oversight of organisation risk management practices.

4. DOCUMENT CONTROL

DOCUMENT RESPONSIBILITIES:			
Owner:	Corporate Excellence & Compliance Officer		
Reviewer:	Director Corporate & Governance	Decision Maker:	CEO
COMPLIANCE REQUIREMENTS:			
Legislation:	Local Government Act 1995		
Other (Plans, Strategies, Policies, Procedures, Standards, Promapp, Delegations):	2019 Risk Management Governance Framework AP023 - Risk Management AS/NZS ISO 31000:2018 – Risk Management – Principles and Guidelines. Shire of Dardanup Risk Profile Reporting Tool		
DOCUMENT MANAGEMENT:			
Risk Rating:	Low	Records Ref:	R0000774596
Review Frequency	Triennial	Next Due:	23-07-2029
Version #	Date & Decision Reference:		Synopsis:
1	25-01-2017 OCM Res: 02/17		PR036 Procedure endorsed by Council
2	14-08-2019 OCM Res: 250/19		PR036 Procedure reviewed and updated as part of the Risk Management Governance Framework
3	30-05-2023 EMT/CEO		PR036 Procedure reviewed and updated as part of the Risk Management Governance Framework and endorsed by CEO
4	23-07-2026 EMT		PR036 Procedure reviewed and updated as part of the Risk Management Governance Framework and endorsed by EMT. Significant review to make it a Risk Assessment and Council Reporting procedure for decision-making procedure, title change also.

Note: Changes to Compliance Requirements may be made without the need to take the Procedure to EMT/CEO for review.

***Risk Management
Governance Framework***
May 2023

Document Control					
Document ID: Risk Management Governance Framework					
Rev No	Date	Revision Details	Author	Approver	Adopted
1.0	1/09/2017	Original Framework created and adopted	LGIS / Phil Anastasakis	Phil Anastasakis	15/09/2017
2.0	30/06/2019	Framework revised in conjunction with LGIS workshop	LGIS / Cindy Barbetti	Phil Anastasakis	14/08/2019 OCM Res 250-19
3.0	20/03/2023	Framework updated in conjunction with LGIS	LGIS / Cindy Barbetti	Phil Anastasakis	28/06/2023
	30/05/2023	Framework reviewed and endorsed by FM			OCM Res 168-23
For Review: June 2026					

SUPERSEDED



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INTRODUCTION

The Shire of Dardanup's (Council) Risk Management Policy in conjunction with the components of this document encompasses the Council's Risk Management Governance Framework. It sets out the Council's approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on AS/NZS ISO 31000:2018 Risk Management - Guidelines.

It is essential that all areas of the Council adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations, and internal policies.
- Integrated planning and reporting requirements are met.
- Uncertainty and its effects on objectives are understood.

This framework aims to balance a documented, structured, and systematic process with the current size and complexity of the Council.

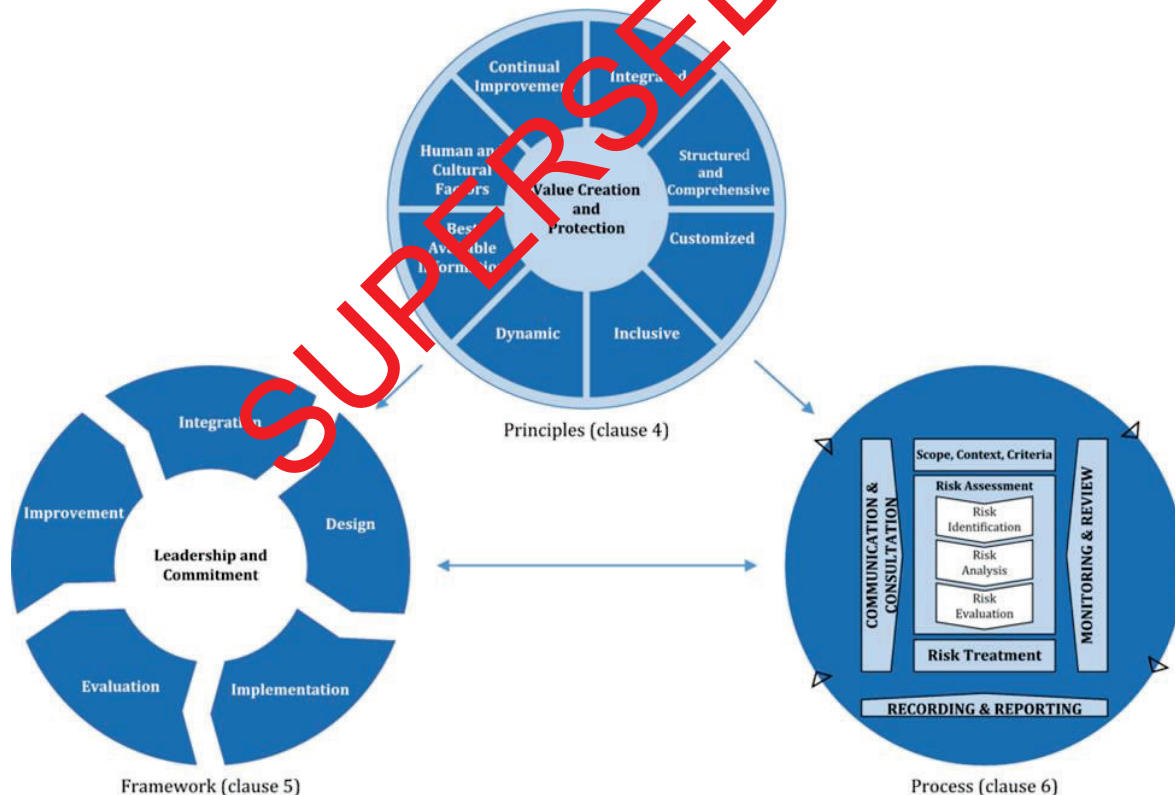


Figure 1: Relationship between the risk management principles, framework, and process
(Source: ISO 31000:2018)



GOVERNANCE

Appropriate governance of risk management within the Shire provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of the risk management functions.
- An effective governance structure to support the risk framework.

Framework Review

The Risk Management Governance Framework is to be reviewed for appropriateness and effectiveness at least once in every three years, or sooner if there has been material restructure or change in the risk and control environment.

Operating Model

The Council has adopted a "Three Lines of Defence" model for the management of risk. This model ensures roles, responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, management, and the community will have assurance that risks are managed effectively to support delivery of the Shire's Strategic, Corporate & Operational Plans.

First Line of Defence

All operational areas of the Council are considered '1st Line'. They are responsible for ensuring that risks within their scope of operations are identified, assessed, managed, monitored, and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include:

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures).
- Undertaking adequate analysis (data capture) to support the risk decision-making process.
- Prepare risk acceptance proposals where necessary, based on the level of residual risk.
- Retain primary accountability for the ongoing management of their risk and control environment.

Second Line of Defence

The Council's Senior Corporate Governance Officer acts as the primary '2nd Line'. This position owns and manages the Framework for risk management. They draft and implement the governance procedures and provide the necessary tools and training to support the 1st line process. Senior Management supplements the 2nd Line.

Maintaining oversight on the application of the framework provides a transparent view and level of assurance to the 1st & 3rd lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1st Line Teams (where applicable). Additional responsibilities include:

- Providing independent oversight of risk matters as required.



- Monitoring and reporting on emerging risks.
- Co-ordinating the Council's risk reporting for the CEO & Executive Management Team and the Audit & Risk Committee via the 'Dashboard' refer [Appendix D](#) and the 'Risk Register' refer [Appendix E](#).

Third Line of Defence

Internal & External Audit are the third line of defence, providing independent assurance to the Council, Audit & Risk Committee and Council management on the effectiveness of business operations and oversight frameworks (1st & 2nd Line).

Internal Audit Appointed by the Deputy CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope of which would be determined by the CEO or Deputy CEO, with input from the Audit & Risk Committee.

External Audit Appointed by Council on the recommendation of the Audit & Risk Committee to report independently to the President and CEO on the annual financial statements only.

SUPERSEDED



Governance Structure

The following diagram depicts the current operating structure for risk management within the Council.

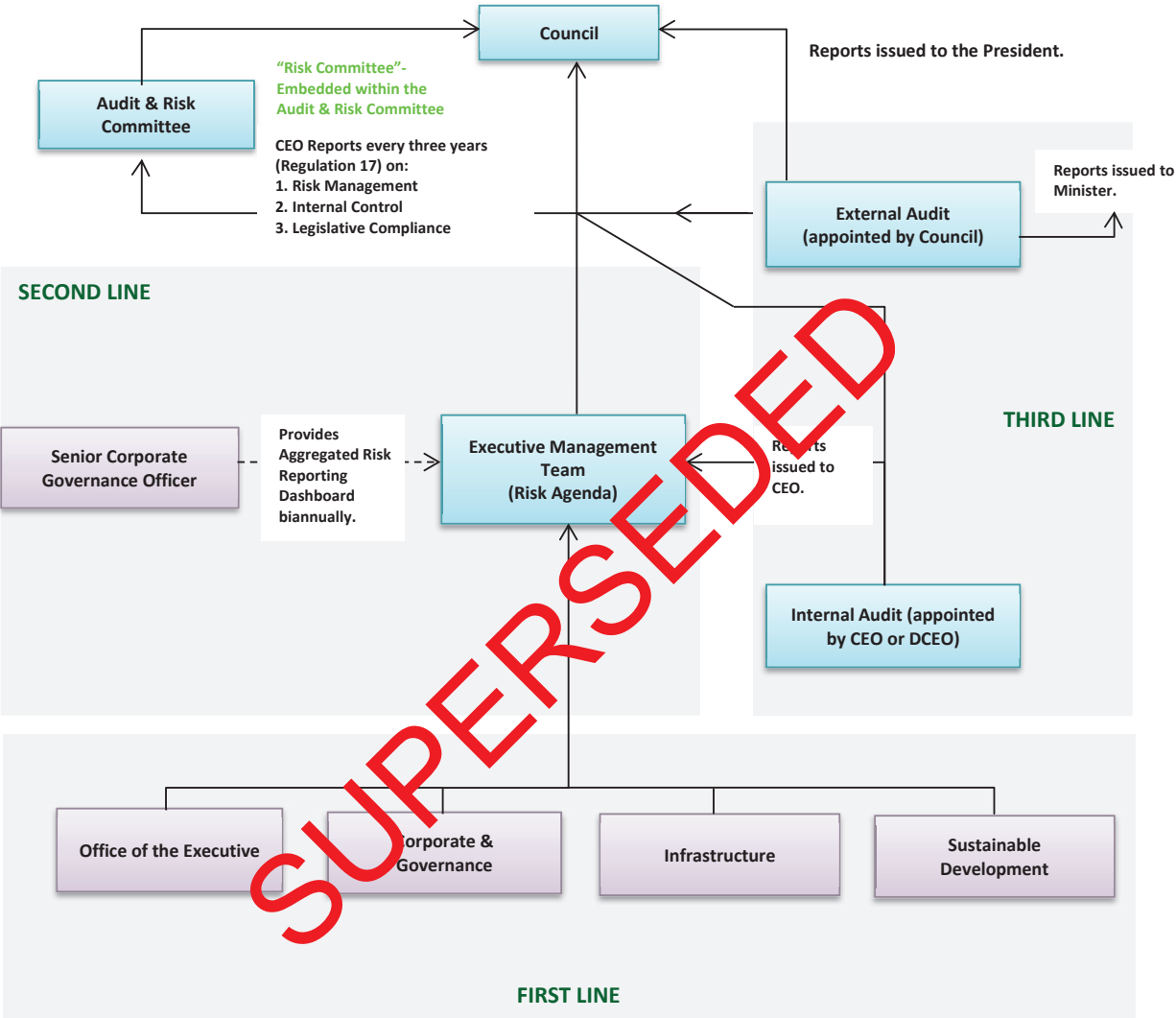


Figure 2: Operating Model



Roles & Responsibilities

Council

- Review and approve the Shire of Dardanup's Risk Management Governance Framework.
- Engage External Auditors to report on financial statements annually.
- Establish and maintain an Audit & Risk Committee in terms of the *Local Government Act 1995*.

Audit & Risk Committee

- Regular review of the appropriateness and effectiveness of the Framework.
- Support Council to provide effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Must be independent, objective, and autonomous in deliberation.

CEO / Executive Management Team

- Appoint Internal Auditors as required under *Local Government (Audit) Regulations*.
- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of AP023 Risk Management Policy and the Risk Management Governance Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues, and trends.
- Document decisions and actions arising from 'risk matters'.
- Own and manage the Risk profiles at Shire level.

Senior Corporate Governance Officer

- Oversee and facilitate the Risk Management Governance Framework.
- Support reporting requirements for risk matters.

Work Areas

- Drive risk management culture within work areas.
- Own, manage, and report on specific risk issues as required.
- Assist in the risk and control management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate risk management into meetings, by incorporating the following agenda items:
 - New or emerging risks.
 - Review existing risks.
 - Control adequacy.
 - Outstanding issues and actions.



Document Structure (Framework)

The following diagram depicts the relationship between the risk management policy, framework and supporting documentation and reports.

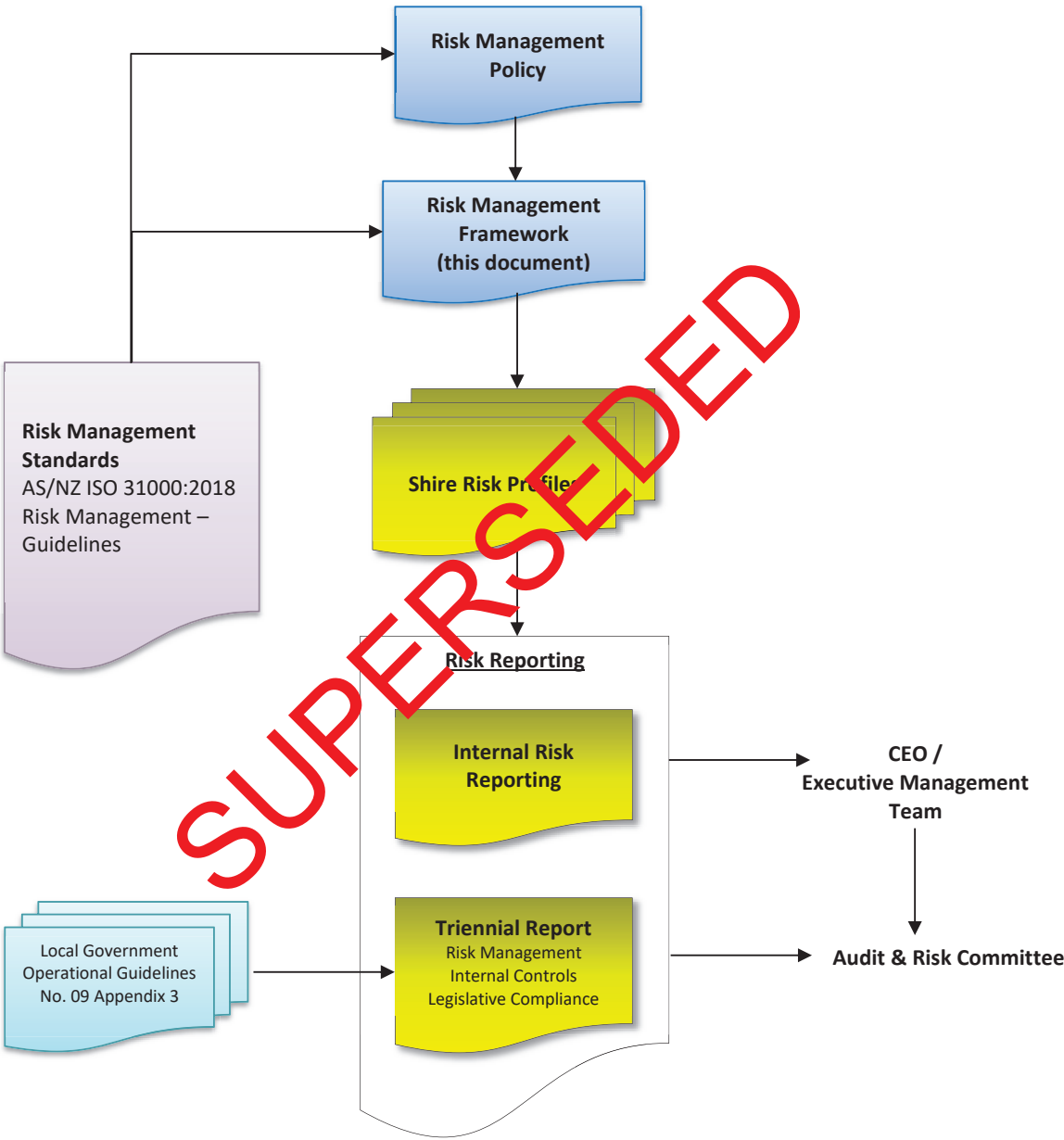


Figure 3: Document Structure

RISK MANAGEMENT PROCEDURES

All work areas of the Council are required to assess and manage the Risk Profiles on an ongoing basis.

Each Manager, in conjunction with the Senior Corporate Governance Officer is accountable for ensuring that Risk Profiles are:

- Reflective of the material risk landscape of the Council.
- Reviewed on at least a 3-year rotation, or sooner if there has been a material restructure or change in the risk and control environment.
- Maintained in the standard format.

This process is supported using key data inputs, workshops, and ongoing business engagement.

The risk management process is standardised across all areas of the Council. The following diagram outlines that process with the following commentary providing broad descriptions of each step.

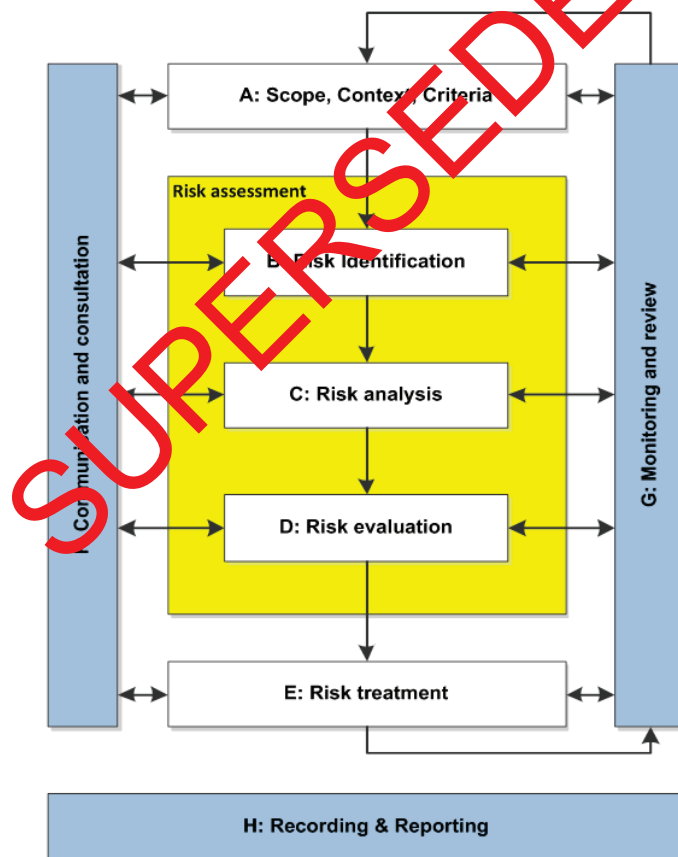


Figure 4: Risk Management Process ISO 31000:2018



A: Scope, Context, Criteria

The first step in the risk management process is to understand the context within which the risks are to be assessed and what is being assessed, this forms two elements:

Organisational Criteria

This includes the Risk Assessment and Acceptance Criteria ([Appendix A](#)) and any other tolerance tables as developed.

All risk assessments are to utilise these documents to allow consistent and comparable risk information to be developed and considered within planning and decision-making processes.

Scope and Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process. Risk sources can be internal or external.

For specific risk assessment purposes, the Council has three levels of risk assessment context:

Strategic Context (known as Strategic Risks)

These are risks that generally occur in the Council's external environment and may impact the long-term viability of the Council. These are generally managed at the Council level and are captured within the Council Plan.

Operational Context (known as Operational Risks)

These are risks the Council faces in the course of conducting its daily business activities, procedures, and systems. These are generally managed by the Executive Management Team however may be reported to Council, particularly those with a heightened risk level. These risks are captured in the Operational Risk Profiles.

These Risk Profiles are expected to change over time. To ensure consistency, any amendments must be approved by the Executive Management Team.

Project Context

These are risks that occur which have an impact on meeting a specific project objective. These risks are managed by local teams and are captured in project/activity risk assessments.

Project Risk has two main components:

- Direct refers to the risks that may arise as a result of project activity (i.e., impacting on process, resources, or IT systems), which may prevent the Council from meeting its objectives.
- Indirect refers to the risks which threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

B: Risk Identification

Once the context has been determined, the next step is to identify risks. This is the process of finding, recognising, and describing risks. Risks are described as the point along an event sequence where control has been lost. An event sequence is shown below:



Figure 5: Event (risk) sequence

Using the specific risk assessment context as the foundation and in conjunction with relevant stakeholders, raise the questions listed below and then capture and review the information within each defined Risk Profile. The objective is to identify potential risks that could stop the Council from achieving its goals. This step is also where opportunities for enhancement or gain across the organisation can be found.

These questions / considerations should be used only as a guide, as unidentified risks can cause major losses through missed opportunities or adverse events occurring. Additional analysis may be required.

Risks can also be identified through other business operations including policy and procedure development, internal and external audits, customer complaints, incidents, and systems analysis.

‘Brainstorming’ will always produce a broad range of ideas and all things should be considered as potential risks. Relevant stakeholders are considered to be the subject experts when considering potential risks to the objectives of the work environment and should be included in all risk assessments being undertaken. Key risks can then be identified and captured within the Risk Profiles.

- What can go wrong? / What are areas of uncertainty? (**Risk Description**)
- How may this risk eventuate? (**Potential Causes**)
- What are the current measurable activities that mitigate this risk from eventuating? (**Controls**)
- What are the potential consequential outcomes of the risk eventuating? (**Consequences**)

Risk Description – describe what the risk is and specifically where control may be lost. They can also be described as an event. They are not to be confused with outcomes following an event, or the consequences of an event.

Potential Causes – are the conditions that may present or the failures that may lead to the event or point in time when control is lost (risk).

Inherent Risk – is an assessed level of raw or untreated risk; that is the natural risk level without using controls or mitigations to reduce its impact or severity.

In relation to the Risk Profiles, the overall inherent risk will be determined based on industry guidance (for example Local Government Insurance Services WA) and assessed against the Shire's Measure of Consequence and Likelihood risk tables. This further demonstrates that with effective controls the overall level of risk to Council is reduced.

Controls – are measures that modify risk. They must meet the following three tests to be considered as controls:

1. Is it an object, technological system and / or human action?



2. Does it, by itself, arrest or mitigate an unwanted sequence?
3. Is the required performance specifiable, measurable, and auditable?

Consequences – impacts to the Shire. These can be staff, visitor, or contractor injuries; financial; interruption to services; non-compliance; damage to reputation or assets or the environment. There is no need to determine the level of impact at this stage.

C: Risk Analysis

To analyse identified risks, the Council's Risk Assessment and Acceptance Criteria ([Appendix A](#)) is now applied.

Step 1 - Consider the effectiveness of key controls.

Controls need to be considered from three perspectives:

1. The design effectiveness of each individual key control.
2. The operating effectiveness of each individual key control.
3. The overall or combined effectiveness of all identified key controls.

Design Effectiveness

This process reviews the 'design' of the controls to understand their potential for mitigating the risk without any 'operating' influences. Controls that have inadequate designs will never be effective, no matter if it is performed perfectly every time.

There are four components to be considered in reviewing existing controls or developing new ones:

1. Completeness – The ability to ensure the process is completed once. How does the control ensure that the process is not lost or forgotten, or potentially completed multiple times?
2. Accuracy – The ability to ensure the process is completed accurately, that no errors are made, or components of the process missed.
3. Timeliness – The ability to ensure that the process is completed within statutory timeframes or internal service level requirements.
4. Theft or Fraud – The ability to protect against internal misconduct or external theft / fraudulent activities.

It is very difficult to have a single control that meets all the above requirements when viewed against a Risk Profile. It is imperative that all controls are considered so that the above components can be met across a number of controls.

Operating Effectiveness

This process reviews how well the control design is being applied. Similar to above, the best designed control will have no impact if it is not applied correctly.

As this generally relates to the human element of control application there are four main approaches that can be employed by management or the risk function to assist in determining the operating effectiveness and / or performance management.

- Re-perform – this is only applicable for those short timeframe processes where they can be re-performed. The objective is to re-perform the same task, following the design to ensure that the same outcome is achieved.



- Inspect – review the outcome of the task or process to provide assurance that the desired outcome was achieved.
- Observe – physically watch the task or process being performed.
- Inquire – through discussions with individuals / groups determine the relevant understanding of the process and how all components are required to mitigate any associated risk.

Overall Effectiveness

This is the value of the combined controls in mitigating the risk. All factors as detailed above are to be taken into account so that a considered qualitative value can be applied to the 'control' component of risk analysis.

The criterion for applying a value to the overall control is the same as for individual controls and can be found in [Appendix A](#) Existing Control Ratings.

Step 2 – Determine the Residual Risk rating.

There are three components to this step:

1. Determine relevant consequence categories and rate the 'probable worst consequence' if the risk eventuated with existing controls in place. This is not the worst-case scenario but rather a qualitative judgement of the worst scenario that is probable or foreseeable. (Consequence)
2. Determine how likely it is that the 'probable worst consequence' will eventuate with existing controls in place. (Likelihood)
3. Using the Council's Risk Matrix, combine the measures of consequence and likelihood to determine the risk rating. (Risk Rating)

D: Risk Evaluation

The risk evaluation process ensures an action (decision) is taken in response to the residual risk. This involves applying the residual risk rating to the Shire's Risk Acceptance Criteria to determine whether the risk is within acceptable levels to the Council. It will also determine through the use of the Risk Acceptance Criteria, what (if any) high level actions or treatments need to be implemented. In effect, the Risk Acceptance Criteria becomes the Shire's risk appetite as follows:

- The Shire will accept risks with a low residual risk rating.
- The Shire will accept risks with a moderate residual risk rating with ongoing monitoring of that risk to ensure it does not escalate.
- The Shire will not accept risks with a high residual risk rating unless it is controlled effectively, managed by senior management and subject to regular monitoring.
- The Shire will generally not accept risks with an extreme residual risk rating. However, if risk is accepted, then all treatment plans to be explored and implemented where possible, managed by highest level of authority (Council) and subject to continuous monitoring.

If a decision is required outside of the above parameters, Executive Management Team approval will be required.

E: Risk Treatment

There are generally two requirements following the evaluation of risks.



1. In all cases, regardless of the residual risk rating; controls that are rated 'Inadequate' must have a treatment plan (action) to improve the control effectiveness to at least 'Adequate'. This can be captured on the Risk Profile.
2. If the residual risk rating is high or extreme, treatment plans must be implemented to either:
 - a. Reduce the consequence of the risk materialising.
 - b. Reduce the likelihood of occurrence.(Note: these should have the desired effect of reducing the risk rating to at least moderate)
 - c. Improve the effectiveness of the overall controls to 'Effective' and obtain delegated approval to accept the risk as per the Risk Acceptance Criteria.

Once a treatment has been fully implemented, the Senior Corporate Governance Officer is to review the risk information and acceptance decision with the treatment now noted as a control and those risks that are acceptable then become subject to the monitor and review process (refer to Risk Acceptance section).

F: Communication & Consultation

Effective communication and consultation are essential to ensure that those responsible for managing risk, and those with a vested interest, understand the basis on which decisions are made and why particular treatment / action options are selected or the reasons to accept risks have changed.

As risk is defined as the effect of uncertainty on objectives, consulting with relevant stakeholders assists in the reduction of components of uncertainty. Communicating these risks and the information surrounding the event sequence ensures decisions are based on the best available knowledge.

G: Monitoring & Review

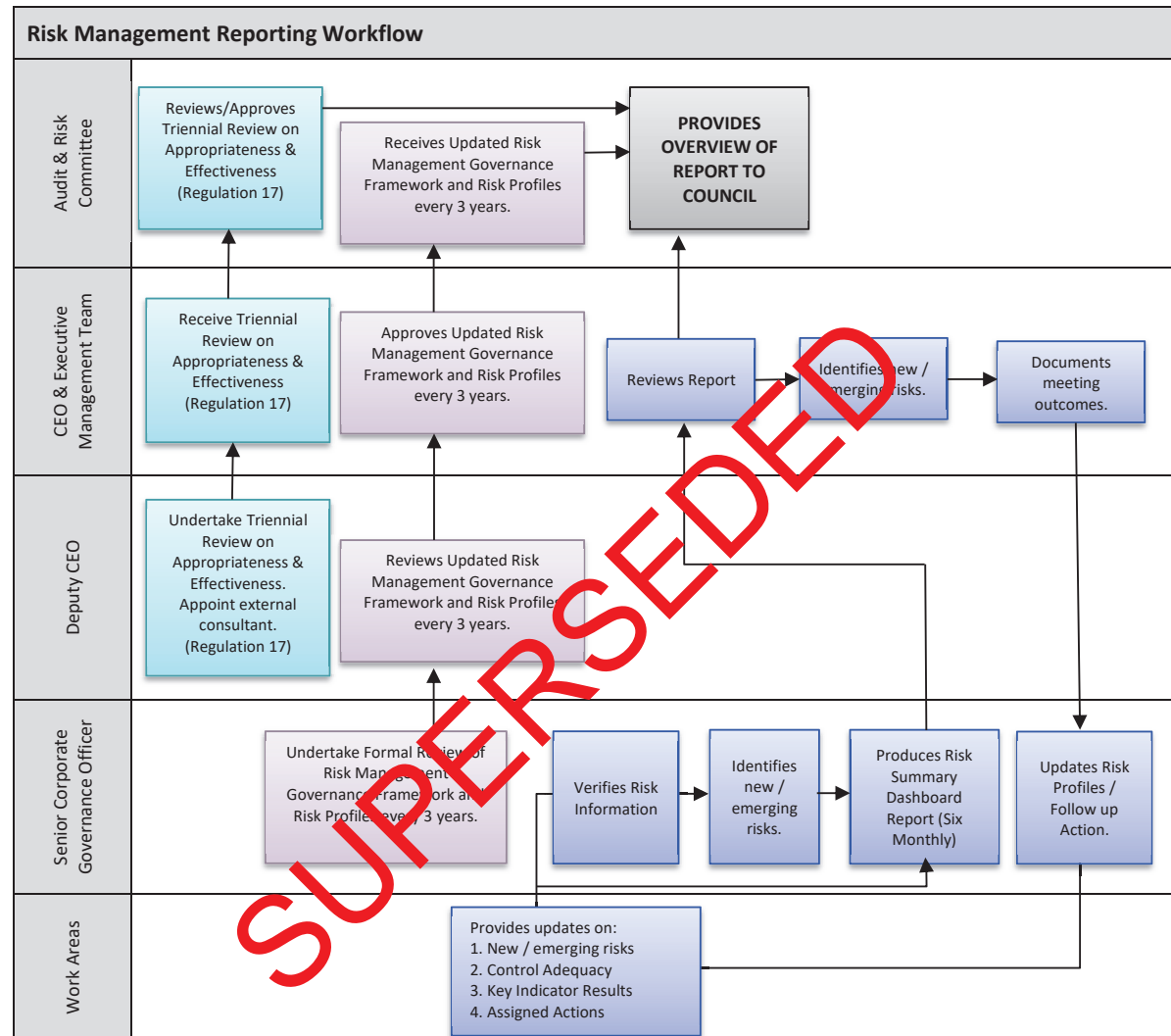
It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

By regularly reviewing the effectiveness and efficiency of controls and the appropriateness of treatment / action options selected, we can determine if the organisation's resources are being put to the best use possible.

During the review reporting process, management are required to review any risks within their area and follow up on controls and treatments / action mitigating those risks. Monitoring and the reviewing of risks, controls and treatments also apply to any actions / treatments to originate from an internal audit. The audit report will provide recommendations that effectively are treatments for risks that have been tested during an internal review.

H: Recording & Reporting

The following diagram provides a high-level view of the ongoing reporting process for Risk Management.





- Six monthly Risk Dashboard Reporting for the CEO & Executive Management Team – contains an overview of the Risk Summary for the Council through the Audit and Risk Committee.
- Ensuring the Annual Compliance Audit Return completion and lodgement by the 31 March each year by the Manager Governance & HR.

Deputy CEO

- Ensuring the Regulation 17 triennial review on the appropriateness and effectiveness of the Council's systems and procedures in relation to risk management, internal control and legislative compliance is undertaken. The CEO is to report to the Audit and Risk Committee the results of that review,
- Reviews the proposed changes to the Risk Management Governance Framework and the Risk Profiles, as part of the 3-year review process, prior to acceptance by EMT.

CEO/Executive Management Team

- Approves the six-Monthly Risk Dashboard Report, together with any new or emerging risks, and key indicator performances.
- Approves changes to the Risk Management Governance Framework and the Risk Profiles, as part of the 3-year review process, prior to acceptance by Council.

Audit & Risk Committee

- Responsible for reviewing reports from the CEO on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance (Regulation 17). The committee will report to Council the results of that review including a copy of the Chief Executive Officer's report.
- Receive the six-monthly Risk Dashboard Report and report to Council the results of that report.
- Receive the updated Risk Management Governance Framework and recommend for Council approval.

KEY INDICATORS

Key Indicators may be used for monitoring and validating key risks and controls. The following describes the process for the creation and reporting of Key Indicators:

- Identification
- Validity of Source
- Tolerances
- Monitor & Review

Identification

The following represent the minimum standards when identifying appropriate Key Indicators:

- The risk description and casual factors are fully understood.
- The Key Indicator is fully relevant to the risk or control.
- Predictive Key Indicators are adopted wherever possible.
- Key Indicators provide adequate coverage over monitoring key risks and controls.

Validity of Source

In all cases an assessment of the data quality, integrity and frequency must be completed to ensure that the Key Indicator data is relevant to the risk or control.

Where possible the source of the data (data owner) should be independent to the risk owner. Overlapping Key Indicators can be used to provide a level of assurance on data integrity.

If the data or source changes during the life of the Key Indicator, the data is required to be revalidated to ensure reporting of the Key Indicator against a consistent baseline.

Tolerances

Tolerances are based on the Council's Risk Appetite. They are set and agreed over three levels:

- Green – within appetite; no action required.
- Amber – the Key Indicators must be closely monitored, and relevant actions set and implemented to bring the measure back within the green tolerance.
- Red – outside risk appetite; the Key Indicator must be escalated to the CEO & Executive Management Team where appropriate management actions are to be set and implemented to bring the measure back within appetite.

Monitor & Review

All active Key Indicators are updated as per their stated frequency of the data source.



When monitoring and reviewing Key Indicators, the overall trend must be considered over a longer timeframe than that of individual data movements only. The trend of the Key Indicators is specifically used as an input to the risk and control assessment.

SUPERSEDED

RISK PROFILES

Operational Risks

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 & public domain legal documentation. It includes (amongst others) the Local Government Act, Planning & 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.
7. Environment Management	Inadequate prevention, identification, enforcement, and management of environmental issues.

RISK PROFILE	RISK DESCRIPTION
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 Management	Inadequate analysis, design, delivery and reporting of projects.
14. Change Management	Inadequate understanding of change management. This includes the inability to prepare, support, and help individuals and teams in making organisational change.
15. 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 or monitoring processes.
16. Work Health and Safety (WHS)	Non-compliance with the Workplace Health & Safety Act, associated Regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors, and visitors.

Appendix A – Risk Assessment and Acceptance Criteria

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

Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	Likely	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	Possible	The event should occur at some time	The event should occur at least once in 3 years
2	Unlikely	The event could occur at some time	The event could occur at least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	The event is not expected to occur more than once in 15 years

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

Risk Acceptance Criteria				
Risk Rank	Description	Criteria	Responsibility	Entered on Risk Register
LOW (1 – 4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Staff Member / Supervisor	No
MODERATE (5 – 11)	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Supervisor / Manager	No
HIGH (12 – 19)	Urgent Attention Required	Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring	Manager / Director / EMT	Yes
EXTREME (20 – 25)	Unacceptable	Risk generally not acceptable. However, if risk is accepted, then all treatment plans to be explored and implemented where possible, managed by highest level of authority (Council) and subject to continuous monitoring.	EMT / CEO / Council	Yes

Existing Controls Ratings			
Rating	Foreseeable	Description	
Effective	More than what a reasonable person would be expected to do in the circumstances. There is <u>little</u> scope for improvement.	Documentation	Processes (Controls) fully documented, with accountable 'Control Owner'.
		Operating Effectiveness	Subject to ongoing monitoring and compliance to process is assured.
		Design Effectiveness	Reviewed and tested regularly.
Adequate	Only what a reasonable person would be expected to do in the circumstances. There is <u>some</u> scope for improvement.	Documentation	Processes (Controls) partially documented, with a clear 'Control Owner'.
		Operating Effectiveness	Limited monitoring, ad-hoc approach and compliance to process is generally in place.
		Design Effectiveness	Reviewed and tested, but not regularly.
Inadequate	Less than what a reasonable person would be expected to do in the circumstance. There is a <u>need</u> for improvement or action.	Documentation	Processes (Controls) not documented or no clear 'Control Owner'.
		Operating Effectiveness	No monitoring or compliance to process is not assured.
		Design Effectiveness	Have not been reviewed or tested for some time.

Appendix B – Risk Profile Template

Risk Theme		Date	
What could go right/wrong? Definition of theme			
Causal Factors: (What could cause it to go right/wrong?) List of potential causes		Potential Outcomes Measures of Consequence (Health, Financial Impact, Service Interruption, Legal and Compliance, Reputational, Environmental and Property)	
Inherent Risk: Overall risk without considering key controls	Consequence	Likelihood	Risk Rating
Key Controls (What we have in place to prevent it going wrong)	Type	Date	Control Operating Effectiveness
List of Controls	Preventative Detective Recovery		Effective Adequate Inadequate Not Rated
Overall Control Effectiveness:		This is the value of the combined key controls in mitigating the risk	
Residual Risk: Value of the combined key controls in mitigating the risk	Consequence	Likelihood	Risk Rating
Risk Acceptance:	Determines whether the risk is within acceptable levels and what (if any) high level actions or treatments need to be implemented		
Actions / Treatments		Due Date	Responsibility
List current issues/actions, treatments			
Indicators (These would 'indicate' to us that something has gone right/wrong)	Type	Benchmark	
List of Indicators	Lagging Leading		
Comments			

Appendix C – Controls Assurance

Controls Assurance						
Control Owner	Control is documented?	Control is understood?	Control is up to date?	Control is relevant?	Control data, quality & integrity have been validated?	Comments

Status of Actions	Comments

Has the Risk Rating Changed since the last review?	Comments
Consequence:	
Likelihood:	

Risk rating trend since last review	

Result	Better or worse than Benchmark?	Trend since last review?	Comments

Appendix D – Risk Dashboard Report

SHIRE OF DARDANUP Risk Dashboard



Risk Profile Theme	Risk Ratings		Risk Evaluation	
	Inherent Risk		Control Effectiveness	
	Residual Risk		Risk Acceptance	
	Risk Responsibility			
Current Treatment Plan (Action)		Due Date	Responsibility	

Risk Profile Theme	Risk Ratings		Risk Evaluation	
	Inherent Risk		Control Effectiveness	
	Residual Risk		Risk Acceptance	
	Risk Responsibility			
Current Actions		Due Date	Responsibility	

Appendix E – Risk Register

 RISK REGISTER [YEAR]							
Executive Summary							
<i>This Risk Register has been compiled in accordance with PR036 Risk Management, which directs that 'where the outcome is High or Extreme the finding is to be disclosed'.</i>							
No	Context	Risk Description	Risk Theme Profile	Summary Risk Treatment Plan	Likelihood	Consequence	Risk Rating

Appendix F – Risk Management Policy

POLICY NUMBER & TITLE	AP023 RISK MANAGEMENT
Responsible Directorate	Executive Services

1. PURPOSE OR OBJECTIVE

The objective of this policy is to state the Shire of Dardanup's intention to identify potential risks before they occur so that opportunities can be realised and impacts can be minimised to ensure the Shire achieves its strategic and corporate objectives efficiently, effectively and within good corporate governance principles.

The Shire is committed to the principles of managing risk as outlined in *AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*, by maintaining a risk management process that deals with identification, analysis, evaluation, treatment, monitoring, reviewing, recording, and reporting of risk.

To ensure that sound risk management practices and procedures are fully integrated into the Shire of Dardanup's strategic and operational planning processes and day to day business practices.

2. DEFINITIONS

Definitions are taken as those in the *AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*.

Risk	Effect of uncertainty on objective <i>Note 1: An effect is a deviation from the expected – positive or negative.</i> <i>Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, operational, project, product, or process).</i>
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.
Risk Management Framework	A set of guidelines that provide foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
Risk Management Process	Systematic application of management policies, procedures, and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, and reviewing risk.

3. POLICY STATEMENT

It is the Shire's policy to strive to achieve the best practices it can, in the management of all risks that may affect the Shire meeting its objectives.

Risk management functions will be resourced to match the size and scale of the Shire's operations and will form part of the strategic, operational, and project responsibilities and be incorporated within the Shire's Risk Management Governance Framework.

This policy applies to Council, the Executive Management Team and all employees and contractors involved in any Shire operations.

The following points provide detail on the objective specifics:

- Optimises the achievement of the Shire's values, strategies, goals, and objectives.
- Aligns with and assists the implementation of Shire policies.
- Provides transparent and formal oversight of the risk and control environment enabling effective decision-making.
- Reflects risk versus return considerations within the Shire's risk appetite.
- Embeds appropriate and effective controls to mitigate risk.
- Achieves effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhances organisational resilience.
- Identifies and provides for the continuity of critical operations.

Roles and Responsibilities

The CEO is responsible for the:

- Implementation of this Policy.
- Measurement and reporting on the performance of risk management.
- Review and improvement of this policy and the Shire's Risk Management Governance Framework at least biennially, or in response to a material event or change in circumstances.

The Shire's Risk Management Governance Framework outlines in detail all further roles and responsibilities under CEO delegation associated with managing risks within the Shire.

Risk Acceptance and Acceptance Criteria (Risk Tables)

The Shire has quantified its broad risk appetite through the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Governance Framework.

All organisational risks are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making.

Monitor and Review

The Shire will implement and integrate a monitor and review process to report on the achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.

Regular reports from the Shire of Dardanup Risk Profile Reporting Tool will be provided to the Executive Management Team on the status of risk management within the organisation and identify the need for specific areas of action or review. A summarised dashboard report will be provided to the Audit and Risk Committee, as detailed in the Risk Management Governance Framework.

In addition, the Executive Management Team will communicate with Shire employees in order to ensure they are informed and aware of the risks identified that may impact upon the annual operational and strategic plans.

This policy will be kept under review by the Executive Management Team and be formally reviewed biennially. The Directors, Managers and Employees of the Shire of Dardanup are committed to the implementation of an enterprise-wide risk management approach to identify and manage all risks and opportunities associated with the performance of the Shire of Dardanup functions and the delivery of services.

To achieve this policy a risk management strategy has been developed for the organisation. In implementing this strategy, the Shire of Dardanup will actively:

- Identify and prioritise all strategic and operational risks and opportunities using the risk management process.
- Ensure risk management becomes part of day-to-day management and processes.
- Provide staff with the policies and procedures necessary to manage risks.
- Ensure staff are aware of risks and how to identify, assess and control them; and
- Compile and monitor a register of operational and strategic risks to achieve continuous improvement in risk management.

Management and staff are to be familiar with, and competent in, the application of risk management principles and practices and are accountable for applying them within their areas of responsibility.

The following risk categories are to be considered in application of this policy:

- Health
- Financial Impact
- Service Interruption
- Legal and Compliance
- Reputational
- Environment
- Property

Specific responsibilities are:

- Chief Executive Officer – Promote risk management as a vital business principle.
- Directors and Operational Managers
 - Manage implementation and maintenance of the risk management policy in their areas of responsibility and create an environment where staff are responsible for and actively involved in managing risk.
 - Implement and review the risk management strategy and provide advice in relation to risk management matters.
 - To facilitate training on the implementation of risk management.
- Executive Management Team
 - Consult and communicate with the Chief Executive Officer in relation to the identification of risks, reviews of identified risks and controls, and the documentation of risks.

The risk management policy and process will be supported by the Executive Management Team, to assist with the implementation, promotion, review and maintenance of this policy and the associated risk management strategy. The risk management policy, strategy and the strategic risk register shall be reviewed by the Audit & Risk Committee.

4. DOCUMENT CONTROL

DOCUMENT RESPONSIBILITIES:			
Owner:	Senior Corporate Governance Officer		
Reviewer:	Deputy Chief Executive Officer	Decision Maker:	CEO/EMT
COMPLIANCE REQUIREMENTS:			
Legislation:	Local Government Act 1995		

Other (Plans, Strategies, Policies, Procedures, Standards, Promapp, Delegations):		PR036 - Risk Management Australian Standard AS/NZS ISO 31000:2018 – Risk Management – Principles and Guidelines Shire of Dardanup Risk Management Governance Framework Shire of Dardanup Risk Profile Reporting Tool	
DOCUMENT MANAGEMENT:			
Risk Rating:		Moderate	Records Ref: R0000774456
Review Frequency		Triennial	Next Due: 30-05-2026
Version #	Date & Decision Reference:		Synopsis:
1	24-07-2013 OCM Res: 240/13		EXEC42 Council Policy Created
2	25-01-2017 OCM Res: 02/17		EXEC42 Superseded
3	25-01-2017 OCM Res: 02/17		AP023 New Admin Policy Document endorsed
4	14-08-2019 OCM Res: 250/19		AP023 Updated as part of the Risk Management Governance Framework
5	30-05-2023 EMT		AP023 Updated as part of the 3 yearly Risk Management Governance Framework review and endorsed by EMT/CEO.

Note: Changes to Compliance Requirements may be made without the need to take the Policy to EMT/CEO for review.

SUPERSEDED

Appendix G – Risk Management Procedure

PROCEDURE NO & TITLE	PR036 RISK MANAGEMENT
Responsible Directorate	Executive Services

1. PURPOSE OR OBJECTIVE

The Shire of Dardanup acknowledges that there is a level of risk associated with the projection of the creation and the maintenance of assets and services.

Officers are guided to assess the level of risk by using the Shire of Dardanup Risk Management Governance Framework (the Framework), inclusive of Administration Policy AP023 and Australian Standard AS/NZS ISO 31000:2018 – Risk Management – Principles and Guidelines.

2. DEFINITIONS

Definitions are taken as those in the *AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*.

Risk	Effect of uncertainty on objectives. <i>Note 1: An effect is a deviation from the expected – positive or negative.</i> <i>Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, operational, project, product, or process).</i>
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.
Risk Management Framework	A set of guidelines that provide foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
Risk Management Process	Systematic application of management policies, procedures, and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring, and reviewing risk.

3. PROCEDURE

3.1 Reference to Risk:

The Risk Management Governance Framework provides direction for officers with assessing the risk of all operational and strategic decisions. These decisions include all decisions made under delegated authority and or referred to a Council Committee or an Ordinary Meeting of Council.

Officer reports will identify if there is a likelihood of risk associated with the item subject of the report and advise the outcome of the risk analysis in accordance with the Framework.

Council and committee reports will include a reference to risk, explaining if a risk has been identified and how the risk is to be managed.

3.2 How to Reference Risk for Council Decision Making Process:

Reports will include notation that the Risk Management Governance Framework has been considered in arriving at recommendations to Council. This includes a formalised risk assessment, using the risk tables noted in the Framework, to demonstrate how the officer determined the risk rating.

The level of risk will then be categorised in accordance with the following three-tiered approach:

- Tier 1:** Should no discernible Risk be identified (no Risk Theme or Consequence identified) a notation to that effect to be included in the Council report. An example is Council receiving a Status Report.
- Tier 2:** Should a Risk be determined as 'Moderate' or 'Low' a brief notation/commentary will state this. No treatment or action will emanate as a result of the Moderate or Low rating. This would cover many of the 'standard' reports to Council such as Accounts for Payment, Planning reports with uncomplicated legislative compliance, minor Policy updates etc.
- Tier 3:** Reports with an identified 'High' or 'Extreme' Risk would be matters with significant legal implications or complex issues such as Tenders, large contract renewals, major plant purchases or projects where there is a significant value/budget or time component involved may also be presented in this manner.

Officers that are involved in the agenda item writing process should familiarise themselves with the Framework and its associated risk tables to ensure that risk assessment has been considered in arriving at recommendations to Council.

3.3 Risk Action:

Action, if any is to be recommended with regard to treatment of the risk or to not proceed with the project.

3.4 Risk Register:

Where the residual risk is high or extreme the finding is to be disclosed in the Risk Register.

4. DOCUMENT CONTROL

DOCUMENT RESPONSIBILITIES:			
Owner:	Senior Corporate Governance Officer		
Reviewer:	Deputy Chief Executive Officer	Decision Maker:	CEO
COMPLIANCE REQUIREMENTS:			
Legislation:	Local Government Act 1995		
Other (Plans, Strategies, Policies, Procedures, Standards, Promapp, Delegations):	AP036 - Risk Management AS/NZS ISO 31000:2018 – Risk Management – Principles and Guidelines. Shire of Dardanup Risk Management Governance Framework Shire of Dardanup Risk Profile Reporting Tool		
DOCUMENT MANAGEMENT:			
Risk Rating:	Low	Records Ref:	R0000774596
Review Frequency	Triennial	Next Due:	30-05-2026
Version #	Date & Decision Reference:		Synopsis:
1	25-01-2017 OCM Res: 02/17		PR036 Procedure endorsed by Council
2	14-08-2019 OCM Res: 250/19		PR036 Procedure reviewed and updated as part of the Risk Management Governance Framework
3	30-05-2023 EMT/CEO		PR036 Procedure reviewed and updated as part of the Risk Management Governance Framework and endorsed by CEO

Note: Changes to Compliance Requirements may be made without the need to take the Procedure to EMT/CEO for review.



Our Ref: 8658

Ms Natalie Hopkins
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Dear Ms Hopkins

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDED 30 JUNE 2026**

We have completed the interim audit for the year ended 30 June 2026. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

The result of the interim audit was satisfactory. An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7551 if you would like to discuss these matters further.

Yours faithfully

Suraj Karki
Acting Director
Financial Audit
27 July 2026

Attach