

APPENDICES

COMMITTEE MEETINGS 12.6.1

ORDINARY COUNCIL MEETING

To Be Held

Thursday, 25th September 2025 Commencing at 5.00pm

Αt

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

SHIRE OF DARDANUP

MINUTES OF THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING HELD ON WEDNESDAY, 17th OF SEPTEMBER 2025, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 3.00PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson, Cr E P Lilly declared the meeting open at 3.00pm, 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

Voting

Cr. E Lilly - Elected Member – Chairperson

Cr. T Gardiner - Elected Member
Cr. J. Manoni - Elected Member

Cr. S. Gillespie - Elected Member – Arrived at the meeting at

3.22pm.

Non-Voting

Mr André Schönfeldt - Chief Executive Officer

Mrs Natalie Hopkins - Director Corporate & Governance

Mr Theo Naudé - Director Infrastructure

Mr Ashwin Nair - Director Development Services

Mrs Donna Bailye - Manager Governance

Mr Shaun Hill - Manager Information Services

Mrs Cindy Barbetti - Corporate Excellence & Compliance Officer

Mrs Jolene Roots - Executive Support Officer

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Cr. M Hutchinson - Elected Member

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

None.

4. PUBLIC QUESTION TIME

None.

5. PETITIONS/DEPUTATIONS/PRESENTATIONS

None.

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

6.1 Minutes - Audit and Risk - June 2025

OFFICER RECOMMENDED RESOLUTION & AUDIT & RISK COMMITTEE RESOLUTION

AAR 17-25 MOVED - Cr E P Lilly SECONDED - Cr T G Gardiner

THAT the Minutes of the Audit & Risk Committee Meeting held on 11th June 2025, be confirmed as true and correct subject to no corrections.

CARRIED

3/0

FOR THE MOTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	

7. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

7.1 Title: Cash Handling Discrepancy

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

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

- S 5.23 (1) Subject to subsection (2), the following are to be open to members of the public-
 - (a) all Council meetings; and
 - (b) all meetings of any committee to which a local government power or duty has been delegated.
 - (2) If a meeting is being held by a Council or by a committee referred to in subsection (1) (b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -
 - (a) a matter affecting an employee or employees;
 - (b) the personal affairs of any person;
 - (c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;
 - (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;
 - (e) a matter that if disclosed, would reveal -
 - (i) a trade secret;
 - (ii) information that has a commercial value to a person; or
 - (iii) information about the business, professional, commercial or financial affairs of a person.

where the trade secret or information is held by, or is about, a person other than the local government;

- (f) a matter that if disclosed, could be reasonably expected to -
 - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;
 - (ii) endanger the security of the local government's property; or
 - (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety:
- (g) information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and
- (h) such other matters as may be prescribed.
- (3) A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.

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

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

None.

9. DECLARATION OF INTEREST

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

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

No declarations of interest made.

10. REPORTS OF OFFICERS AND COMMITTEES

10.1 Title: Update Report – 2023/2024 Regulation 17 Review

Reporting Department Corporate & Governance Directorate

Local Government Act 1995

Local Government (Audit) Regulations 1996

Council Role Legislative.

Voting Requirement Simple Majority.

Attachments Confidential Attachment A - 2023/2024 Regulation 17 Review

AAR: 10.1 - Risk Assessment

Overview

The purpose of this report is to provide the Audit and Risk Committee with an update on the findings from the audit undertaken in February 2024 pursuant to Regulation 17 of the *Local Government* (Audit) Regulations 1996.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION AND AUDIT & RISK COMMITTEE RESOLUTION

AAR 18-25 MOVED - Cr E P Lilly SECONDED - Cr J D Manoni

THAT the Audit and Risk Committee recommend that Council:

- 1. Receive the September 2025 update report on the implementation of actions required from the findings of the 2023/2024 Regulation 17 Review.
- 2. Acknowledge that this completes all actions resulting from the findings of the 2023/2024 Regulation 17 Review.
- 3. Acknowledge that no further update reports in relation to the 2023/2024 Regulation 17 Review are required.

CARRIED

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FOR THE MOTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	

Discussion:

Cr Lilly asked the ITC Manager, Mr Hill how the disaster recovery plan went. Mr Hill said they setup the Depot as a recovery site and used backups, servers and systems from the Depot. It was successful and lessons or improvements were noted. Licensing and capacity considerations will be made in future. Setup took about a day. Ultimately it went very well.

Cr Lilly asked whether the learnings from this go onto an action plan or how the learnings were being managed? Mr Hill said that they go through the process and procedures with the IS Team and these are tracked through the IS Team and those involved in the testing.

Background

Local Government (Audit) Regulations 1996, Regulation 17 prescribes a number of matters that are to be reviewed by a local governments audit committee. These matters are in relation to:

- a) Risk management,
- b) Internal control; and
- c) Legislative compliance.

In February 2024, AMD Chartered Accountants (AMD) conducted an external Regulation 17 Review (the 'review') with the scope of work based on the <u>Local Government Operational Guidelines - Number 09</u> (refer pages 17-19 of the guideline). In addition, management included in the review an audit of the preparedness of the local government in terms of mitigating cyber security risks, with particular focus on the recently adopted Cyber Security Framework.

The review was for the 3-year period ended 31st of December 2023.

A copy of the audit report from AMD (Confidential Attachment A – Under Separate Cover) was presented to the Audit and Risk Committee on the 13th of March 2024. The audit report contained four (4) minor findings and one (1) moderate finding for consideration, together with management's response on how these findings will be actioned.

The committee through Council endorsement, requested an update of the actions from the findings to be presented to each future committee meeting until resolved [OCM 94-24].

In addition, the endorsed 2025 Annual Audit Work Plan for the committee, provides the following schedule for the Regulation 17 Triennial Review:

AUDIT AND RISK COMMITTEE – 2025 ANNUAL AUDIT WORK PLAN						
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	12 Mar 25	* Apr/ May 25	11 Jun 25	10 Sep 25	10 Dec 25	
7. Regulation 17 Triennial Review (report Due: March 2027)	7. Regulation 17 Triennial Review (report Due: March 2027)					
To consider the CEO's triennial review on risk management, internal control, and legislative compliance.	Not applicable – next due 2027					
Set the action plan arising from auditor recommendations from the Regulation 17 review.	Not applicable – next due 2027					
Receive an update on the action plan arising from auditor recommendations from the 2023-2024 Regulation 17 review (until all action items are completed).	● <i>Completed</i>		● Completed	● This meeting	•	

This report has been compiled in direct response to Council resolution [OCM 94-24], together with the above schedule, to provide members of the committee with an update on the progression of the actions required from the findings of the AMD audit report.

To note, at the 18th of December 2024 Ordinary Council Meeting, Council through the Audit and Risk Committee resolved [OCM 321-24] that finding 2.2.1 would not be completed by the target date of 31st of December 2024 and granted an extension until 30th of June 2025.

Legal Implications

Local Government Act 1995 Local Government (Audit) Regulations 1996 (as Amended):

Reg 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) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

Reg 16. Functions of audit committee

An audit committee has the following functions —

- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;

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

This is the sixth 'update' report to be received by the Audit and Risk Committee on the progress of the findings resulting from the Regulation 17 Review undertaken in February 2024.

Budget Implications

Staff time is the only resource requirement needed to implement the findings from the Regulation 17 Review. This remains in accordance with existing staff budgetary allocation.

Future Regulation 17 Reviews will be provided for as an expenditure allocation under Audit Fees in the annual budget relating to the financial year of review.

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

- Shire of Dardanup Risk Management Governance Framework (which incorporates AP023 Risk Management Policy and PR036 Risk Management Procedure).
- CnG CP304 Fraud, Corruption and Misconduct.
- Delegation 1.3.9 Audit CEO Review of Systems and Procedures.

Risk Assessment

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

Tier 2 – 'Low' or 'Moderate' Inherent Risk.					
Risk Event	Update Report – 2023/2024 Regulation 17 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.				
	Legal and Compliance	Failure to fulfil obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.			
Risk Category Assessed Against	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

The findings and status from the 2023/2024 Regulation 17 Review report are summarised in the table below:

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
2	Risk Management				
2.2.1	Testing of Disaster Recovery Plan	Moderate	Manager Information	Original completion date 31 December 2024	Completed
			Services	OCM 321-24 extension granted to 30 June 2025	
2.2.2	Bushfire Management Plan	Low	Director Sustainable Development	Original completion date 31 December 2024	Completed
2	to the second Control to		Development	OCM 321-24 extension granted to 30 June 2025	
3	Internal Controls				

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status	
3.2.1	Daily Banking Procedure	Low	Manager Governance	30 April 2024	Completed	
3.2.2	Purchase Orders	Low	Manager Financial Services	30 April 2024	Completed	
3.2.3	Grant – Contract Liabilities Register	Low	Manager Financial Services	30 April 2024	Completed	
4	Legislative Compliance					
	No findings to report in respect to the Shire's legislative compliance.					

• Item 2.2.1 Testing of the Disaster Recovery Plan

Technical testing of the Disaster Recovery Plan was undertaken in June 2025.

The testing covered the Shire's technical capability to recover from a disaster event impacting the internally hosted systems. The scope of the technical testing included initialising the Shire's disaster recovery sites and delivering key internally hosted systems.

Two separate tests covered both of the Shire's disaster recover site options (1. Depot, 2. Datto cloud backup service). This test scope encompassed the identified key ICT services and systems that are not delivered by cloud providers, fully restoring those systems and running them from the sites.

The testing was successful, and both disaster recovery options were able to be initialised, data restored and services operational within one business day.

Ongoing regular testing is included as part of the plan and regular ICT operations in the future.

This finding is now marked as completed.

Completion

This now completes all action items resulting from the findings of the 2023/2024 Regulation 17 Review. The officer recommends that the committee, through Council endorsement, acknowledges that the actions from the findings are now resolved and that no further reports in relation to the 2023/2024 Regulation 17 Review are required

END REPORT

<u>10.2 Title: Western Australian Auditor General – Schedule of Reports – September</u> <u>2025</u>

Reporting Department Corporate & Governance Directorate

Responsible Officer Mrs Natalie Hopkins – Director Corporate & Governance

Reporting Officers Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer

Local Government Act 1995

Local Government (Audit) Regulations 1996

Council Role Executive/Strategic.

Voting Requirement Simple Majority.

AAR: 10.2A - Risk Assessment

Attachments

AAR: 10.2B – Report 17 - Local Government Management of Purchasing

Cards – Larger Metropolitan Entities

AAR: 10.2C - Report 19 - Administration of Personal Leave

Overview

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that have been released since the June 2025 committee meeting.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION AND AUDIT & RISK COMMITTEE RESOLUTION

AAR 19-25 MOVED - Cr J D Manoni SECONDED - Cr T G Gardiner

THAT the Audit and Risk Committee recommend that Council receive the September 2025 report on the Western Australian Auditor General – Schedule of Reports.

CARRIED

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FOR THE MOTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	

Background

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on the 28th of October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a category of audits known as 'performance audit reports' which examine the economy, efficiency, and effectiveness of any aspect of a local government's operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases 'guides' to help support good governance within a local government's operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing our performance against the Auditor General findings and reporting the

outcomes to the Audit and Risk Committee can be viewed as a vital component of managing compliance reporting under Regulation 17.

Legal Implications

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

Reg 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) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

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 previously received a report at the June 2025 meeting that responded to the reports released by the OAG from March 2025 to May 2025.

Budget Implications

As part of the Corporate Excellence & Compliance Officer role, regular monitoring and assessment of reports released by the OAG is deemed a matter of good governance and a vital component of managing compliance under Regulation 17. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

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.					
Risk Event	Western Australian Auditor General – Schedule of Reports				
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)				

Tier 2 – 'Low' or 'Moderate' Inherent Risk.						
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.					
	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.				
Risk Category Assessed Against	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 take an active approach by reviewing each 'Issue', 'Finding' and 'Recommendation' as contained in any report released by the OAG to benchmark against Council's own internal controls and processes working towards an industry 'best practice standard'. Identifying relevant messages and opportunities from these reports leads to continuous improvement and informed decision making.

Since the last committee meeting, there have been two (2) reports released by the OAG that are of interest to the local government sector. The reports are reflected in the table below together with officer comment:

DATE	REPORT NO	REPORT	APPENDIX
		Performance Audit	
28 May 2025	17	Local Government Management of Purchasing Cards –	AAR 10.2B
		Larger Metropolitan Entities	
6 June 2025	19	Performance Audit	AAR 10.2C
6 Julie 2025	19	Administration of Personal Leave	AAR 10.2C

• Report 17: Local Government Management of Purchasing Cards – Larger Metropolitan Entities

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

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

The OAG found no evidence of cards being misused, in part because without clear policies and guidance, they had no benchmark to assess purchases against. However, the OAG shares in their report some of the items of expenditure that appeared excessive when compared with practices in the State sector. Staff should have clear guidance on what is allowable and reasonable, particularly for travel, alcohol, meals, entertainment and gifts.

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

• Report 19: Administration of Personal Leave

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

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

The OAG was reassured to confirm that entities generally had appropriate systems to administer instances of personal leave in a timely and accurate manner.

A major milestone for the Shire of Dardanup was achieved in July 2025 with the implementation of a new Enterprise Resource Planning (ERP) system. Key features included an integrated payroll module and Employee Self Service (ESS) dashboard. The payroll module automates leave entitlement calculations, while the ESS dashboard provides employees with direct access to this information.

To ensure accuracy, the Shire's payroll officer performs regular manual reconciliations of leave entitlements following each fortnightly pay cycle, verifying the system's calculations.

Conclusion

The OAG report review process will continue to be applied to future reports and guides released by the Auditor General. The analysis of these reports provides Council with a greater level of confidence in internal control practices and processes throughout Council operations.

END REPORT

10.3 Title: JLT Public Sector Risk Report 2024-2025

Reporting Department Corporate & Governance Directorate

Legislation Local Government Act 1995

Council Role Legislative.

Voting Requirement Simple Majority.

Attachments AAR 10.3A – JLT Public Sector Risk Report 2024-2025

AAR 10.3B - Risk Assessment Tool

Overview

The purpose of this report is to present to the Audit and Risk Committee the 2024-2025 JLT Public Sector Risk Report (Appendix AAR 10.3A).

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION AND AUDIT & RISK COMMITTEE RESOLUTION

AAR 20-25 MOVED - Cr E P Lilly SECONDED - Cr T G Gardiner

THAT the Audit and Risk Committee recommend that Council receive the 2024-2025 JLT Public Sector Risk Report (Appendix 10.3A) and note the key risks identified.

CARRIED

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FOR THE MOTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	

Background

This is the seventh edition of the JLT Public Sector Risk Report (Appendix AAR 10.3A) which delivers a summary of the risk information that have been provided by various local governments across Australia.

The report details the key local government risks and prioritises them based upon specialised local government experience and knowledge. This report has captured strategic input from executive's right across the sector during 2024-2025 as well as providing insight into what has changed compared to the historic information provided in earlier editions. The aim of the report is to build awareness of risks that support local governments' long-term planning and consideration of future events.

As directed by Regulation 17 of the *Local Government (Audit) Regulations 1996*, Council is required to have an appropriate and effective system and procedures in place to manage risk. This report will assist with providing committee members and stakeholders with an overview of real scenarios facing the industry and contribute to the overall management of risk at the Shire of Dardanup.

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) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
 - (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
 - *The CEO is to report to the audit committee the results of that review.*

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Council Plan

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

Environment - None.

Precedents

The 2023-2024 JLT Public Sector Risk Report was presented to the Audit and Risk Committee in September 2024.

Budget Implications

To remain up to date with emerging risk in the industry, it is good practice for staff to spend time reviewing relevant risk reports. Therefore, the cost to Council is through staff time and the usage of IT Software systems where applicable.

Budget - Whole of Life Cost - None.

Council Policy Compliance

Risk Management Governance Framework:

- Administration Policy AP023 Risk Management
- Procedure PR036 Risk Management
- 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 10.3B) for full assessment document.

TIER 2 – 'Low' or 'Moderate' Inherent Risk.		
Risk Event	2024-2025 JLT Public Sector Risk Report	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	

TIER 2 – 'Low' or 'Moderate' Inherent Risk.			
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 local government industry risks noted in the JLT report could have implications towards managing risk in accordance with Regulation 17 of the Local Government (Audit) Regulations 1996	
	Reputational Council's reputation could be seen negative light for not considering ir reported risk and the potential imp could have to long-term planning.		

Officer Comment

The 2024-2025 JLT Public Sector Risk Report highlights the key risks that concern local governments. Council's from across Australia responded to the survey, from rural/remote, regional, metropolitan and city Council's.

Financial Sustainability remains the foremost concern for councils, with the report acknowledging that the implication of financial sustainability directly impacts councils' ability to make better informed investment decisions in essential services, infrastructure and community programs. Further, the impact of other key risks has a cascading effect on the financial viability of councils. As financial pressures mount, councils may find it increasingly difficult to allocate resources effectively, exacerbating other risks such as ageing infrastructure and responding to natural disasters.

The top 12 risk rankings from the 2024 Survey:

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

For comparison, for Western Australia, the top 5 were ranked as follows:

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

The local government risk environment is continually evolving, and this provides challenges to local governments in developing operational and financial plans that can deliver on the Council's Strategic Plan.

The Corporate Excellence and Compliance Officer will continue to support the reporting requirements for risk matters across the organisation and review relevant industry publications to ensure that new or emerging risks are identified and captured as part of the Shire of Dardanup's Risk Management Governance Framework.

END REPORT

10.4 Title: 2025-2026 Internal Audit Program

Reporting Department Corporate & Governance Directorate

Responsible Officer Mr Natalie Hopkins – Director Corporate & Governance

Reporting Officers Mr Rehan Shahid – Manager Finance

Legislation Local Government Act 1995

Council Role Executive/Strategic.

Voting Requirement Simple Majority.

Attachments AAR 10.4A – Internal Audit Strategic Plan

AAR 10.4B – Risk Assessment

Overview

This report presents to the Audit and Risk Committee the Internal Audit Strategic Plan and the proposed 2025-2026 Internal Audit Annual Work Plan.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION AND AUDIT & RISK COMMITTEE RESOLUTION

AAR 21-25 MOVED - Cr E P Lilly SECONDED - Cr J D Manoni

THAT the Audit and Risk Committee recommend that Council:

- 1. Receive the September 2025 report relating to the Internal Audit Program of the Shire of Dardanup.
- 2. Endorses the Shire of Dardanup Internal Audit Strategic Plan, inclusive of the 2025-2026 Internal Audit Annual Work Plan (Appendix AAR 10.4A).

CARRIED

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FOR THE M OTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	

Background

Internal control is a vital component of a sound governance framework. An effective and transparent internal control environment is built on many key areas that are guided, strengthened, and monitored through an Internal Audit Strategic Plan. This ensures that the Council is meeting compliance with applicable regulations and internal procedures, which provides a greater level of confidence in internal control practices and processes throughout Council operations.

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

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

Together, these plans serve the purpose of setting out, in strategic and operational terms, the broad roles and responsibilities of Internal Audit of the Shire of Dardanup, with the aim to achieving regulatory compliance.

A copy of the Internal Audit Strategic Plan is provided for in (Appendix AAR:10.4A).

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) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
 - (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
 - *The CEO is to report to the audit committee the results of that review.*

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Local Government (Financial Management) Regulations 1996, Regulation 5:

- 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); and
 - (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.

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 Internal Audit Annual Work Plan for 2024-2025 were presented at the September 2024 Audit and Risk Committee meeting.

Budget Implications

As part of the Corporate Excellence and Compliance Officer role, internal control is integral to meeting the obligations under Regulation 17. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

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 AAR: 10.4B) for full assessment document.

TIER 2 – 'Low' or 'Moderate' Inherent Risk.				
Risk Event	2025-2026 Internal Audit	2025-2026 Internal Audit Program		
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.			
	Legal and Compliance	Not considering internal control within the organisation would result in noncompliance with Regulation 17		
Risk Category Assessed Against	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

A local government's internal audit function performs a different role to external audit. The external audit provides independent assurance that the financial statements are reliable and comply with prescribed requirements. It is primarily a financial audit, which assesses the internal control framework and focuses on the material components of the financial statements and how significant financial reporting risks have been dealt with by management.

In contrast, the type of internal audits performed each year will vary depending upon Council's current risk profile and assurance needs. The internal audit program is the responsibility of the

Corporate Excellence and Compliance Officer and is complementary to the Risk Management Governance Framework and Compliance Manual in meeting the obligations pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996.

The Internal Audit Strategic Plan (Plan) has been developed to assist the organisation in achieving its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control. Within the Plan, is the 2025-2026 Internal Audit Annual Work Plan that has been considered based on Council's current risk profile and assurance needs.

The Internal Audit program is also supported by the performance audit reports and guides released by the Auditor General. This provides a further opportunity to assess our processes against findings that are relevant to the local government sector.

END REPORT

10.5 Title: Biannual Compliance Task Report

Reporting Department Corporate & Governance Directorate

Responsible Officer Mrs Natalie Hopkins – Director Corporate & Governance

Reporting Officers *Mrs Donna Bailye – Manager Governance*

Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer

Local Government Act 1995 and Local Government (Audit) Regulations

1996, Regulation 17

Council Role *Legislative.*

Voting Requirement Simple Majority.

Attachments AAR 10.5 – Risk Assessment

Confidential Attachment B – Biannual Compliance Calendar Report

Overview

Legislation

The purpose of this report is to provide the Audit and Risk Committee with the biannual compliance tasks undertaken since the last report was presented to the committee.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION AND AUDIT & RISK COMMITTEE RESOLUTION

AAR 22-25 MOVED - Cr E P Lilly SECONDED - Cr J D Manoni

THAT the Audit and Risk Committee recommend that Council receive the report on the Biannual Compliance Task Report, as provided for as 'Confidential Attachment B – Under Separate Cover' and note the compliance tasks identified for the period 1 January 2025 to 30 June 2025.

CARRIED

3/0

FOR THE MOTION		AGAINST THE MOTION
Cr E P Lilly		
Cr T G Gardiner		
Cr J D Manoni		

Background

Under Regulation 17 of the *Local Government (Audit) Regulations 1996,* the CEO is required to review the appropriateness and effectiveness of the local government's systems and procedures, including those in relation to legislative compliance.

To ensure legislative compliance obligations are met, the Compliance Manual, incorporating the Annual Compliance Calendar has been developed. The calendar is a tool that identifies the yearly compliance tasks throughout the calendar year. In accordance with 5.10(ii) of the Audit and Risk Committee Charter, the committee is required to receive the biannual compliance report. This report informs the committee on the progression of the compliance tasks noted within the annual 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 is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to—
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
 - (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
 - (3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

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 1 July 2024 to 31 December 2024) at the March 2025 meeting.

Budget Implications

Effective legislative compliance management ensures compliance responsibilities are carried out and legislative requirements are met, which ultimately reduces risk. Compliance management forms part of the Corporate Excellence & Compliance Officer role. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget - Whole of Life Cost

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

Council Policy Compliance

There is no current Council Policy relevant to this item.

Risk Assessment

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

Tier 2 – 'Low' or 'Moderate' Inherent Risk.		
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.	
	Legal and Compliance pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	
Risk Category Assessed Against	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 biannual report captures the first six (6) months of the 2025 calendar year (1 January 2025 to 30 June 2025). Please refer 'Confidential Attachment B' provided Under Separate Cover for the compliance tasks identified. Responsible officers have provided an audit score of the progression of each task together with any necessary commentary to support the achievement of legislative compliance.

The next biannual compliance task report will be presented to the March 2026 committee meeting.

END OF REPORT.

10.6 Title: Audit Contract 2025-2026

Reporting Department Corporate & Governance Directorate

Responsible Officer Mrs Natalie Hopkins - Director Corporate and Governance

Reporting Officer Rehan Shahid - Manager Financial Services

Legislation Local Government Act 1995

Council Role Executive/Strategic.
Voting Requirement Simple Majority.

Attachments

AAR 10.6A – Entity Notification In-House Audit – Shire of Dardanup

AAR 10.6B – Risk Assessment Tool – Audit Contract

Note: Cr S L Gillespie entered the room at 3.22pm.

Overview

As per Section 7.2 of the *Local Government Act 1995* Council is required to have the accounts and annual financial report of a Local Government audited by an auditor, at the direction of the Office of the Auditor General (OAG).

This report is provided to the Audit and Risk Committee, and subsequently to Council, to acknowledge that from FY2025-26 the Office of the Auditor General will be conducting the audit of Shire of Dardanup in-house (Appendix AAR 10.6A). The arrangement will continue going forwards until otherwise advised by the OAG Office. Furthermore, Moore Australia (WA), on behalf of the OAG, will undertake the annual financial audit for the Shire of Dardanup for the FY2024-25 being the final year of their 2-year engagement contract.

Change to Officer Recommendation - No Change.

OFFICER RECOMMENDED RESOLUTION AND AUDIT & RISK COMMITTEE RESOLUTION

AAR 23-25 MOVED - Cr E P Lilly SECONDED - Cr T G Gardiner

THAT the Audit & Risk Committee recommend that Council:

- 1. Receives the letter from the Office of the Auditor General (Appendix AAR 10.6A).
- 2. Acknowledges that the Office of the Auditor General (OAG) will perform the audit of Council's financial statements in-house from the financial year ending 30 June 2026.

CARRIED

4/0

FOR THE MOTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	
Cr S L Gillespie	

Background

In October 2017 the Local Government Amendment (Auditing) Act 2017 was proclaimed, giving the Auditor General the mandate to audit all local governments within Western Australia (WA). The Act allowed the Auditor General to conduct performance audits straight away while financial audits transitioned to the Auditor General over four years, as local government's existing audit contracts expired. The 2020-21 financial year audit was the first year all WA local government entities were audited by the OAG, noting that around 92% of the 23/24 financial year audits were outsourced by the OAG.

In April 2021, Moore Australia (WA) were appointed to conduct the Shire's annual financial audit, on behalf of the OAG, for a 3-year period, commencing from the audit year ended 30 June 2021 through to 30 June 2023. This arrangement was further extended for 2 years by the OAG in November 2023, which is due to conclude at the end of 30 June 2025 financial year.

On 19 June 2025, the Shire received notification that OAG will be conducting the annual audit inhouse starting from the audit year ended 30 June 2026. The arrangement is to continue in the future until otherwise advised by the OAG Office

Legal Implications

Local Government Act 1995

1.4. Terms used auditor means —

- (a) in relation to an audit, other than a performance audit
 - (i) in relation to a local government that has an audit contract that is in force
 a person for the time being appointed under Part 7 Division 2 to be the auditor of the local government; and
 - (ii) in relation to a local government that does not have an audit contract that is in force the Auditor General;

and

- (b) in relation to a performance audit the Auditor General;
- 7.12A. Duties of local government with respect to audits
 - (1) A local government is to do everything in its power to
 - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government;
 - (b) ensure that audits are conducted successfully and expeditiously.
 - (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

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.

7.2. Audit

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

7.3. Appointment of auditors

(1) Subject to subsection (1A), a local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.

* Absolute majority required.

- (1A) A local government cannot appoint a person to be its auditor after commencement day.
- (2) The local government may appoint one or more persons as its auditor.
- *(3) The local government's auditor is to be a person who is*
- (a) a registered company auditor; or
- (b) an approved auditor.

Local Government (Financial Management) Regulations 1996

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).

Local Government (Audit) Regulations 1996

- 10. Report by auditor
 - (1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
 - (2) The report is to give the auditor's opinion on
 - (a) the financial position of the local government; and
 - (b) the results of the operations of the local government.
 - (3) The report must include a report on the conduct of the audit.
 - [(4A) deleted]
 - (4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.

Council Plan

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

Environment - None.

Precedents - None.

Budget Implications

The budget provision for the 2025/26 audit contract expenditure is \$64,691. Actual audit fee for the period ending 30 June 2025, expected to be received in 2025/26, is not yet known but is expected to be slightly higher than audit fee of \$60,600 for financial year ending 30 June 2024.

Budget - Whole of Life Cost

Audit Contract expenditure is budgeted in Council's Long Term Financial Plan and the adopted Annual Budget each year.

Council Policy Compliance

Compliance to Administration Policy AP008 Significant Accounting Policy (previously Council Policy CnG CP128 Significant Accounting Policy.

Risk Assessment

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

TIER 2 – 'Low' or Moderate' Inherent Risk.			
Risk Event	Audit Contract 2025-2026	and onwards	
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	Risk of Council breaching the Local Government Act 1995 – it is a requirement under the LGA 1995 s. 1.4 and s. 7.12 AB Conducting a financial audit; the Auditor is the Auditor General.	

Officer Comment

Changes to the *Local Government Act 1995* and associated Regulations mandate that the Office of the Auditor General is responsible for all annual financial audits of Local Governments in Western Australia including the Shire of Dardanup.

Office of the Auditor General has notified the Shire that it will be conducting the Shire's audit inhouse from the financial year ending 30 June 2026 onwards. This arrangement is in place for the foreseeable future until otherwise advised by the Office of Auditor General.

END REPORT

10.7 Title: Financial Management Systems Review Action Plan Update

Reporting Department Corporate & Governance Directorate

Responsible Officer Mrs Natalie Hopkins – Director Corporate & Governance

Reporting Officer Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer

Legislation Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Council Role Executive/Strategic.

Voting Requirement Simple Majority.

Attachments AAR 10.7 Risk Assessment

Confidential Attachment C - AMD FMSR Report

Note: Mr S Hill left the room at 3.28pm

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 findings.

Change to Officer Recommendation

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

 Cr Lilly requested an alternate motion to minimise the risk of theft of fuel from jerry cans. Cr Lilly suggested a logbook or spot check for a week per year. This could be added to the Shire's audit and risk plan. This will indicate where fuel is being used and will be compared with other weeks to check for variations. Seasonal work will also be taken into consideration.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommend that Council:

- 1. Receives the September 2025 update report on the implementation of actions required from the findings of the Financial Management Systems Review (FMSR).
- 2. Removes the requirement to maintain a fuel card register for jerry can use in relation to action item 6.2.1 Fuel Card Usage Depot, as it is not the best industry practice.
- 3. Endorses the alternative fuel card system for jerry can use, which restricts the usage to a daily transaction limit of \$500 to mitigate the risk of misuse.
- 4. Acknowledges that action item 6.2.1 Fuel Card Usage Depot is now complete.

ALTERNATE AUDIT & RISK COMMITTEE RESOLUTION

AAR 24-25 MOVED - Cr E P Lilly SECONDED - Cr S L Gillespie

- Receives the September 2025 update report on the implementation of actions required from the findings of the Financial Management Systems Review (FMSR);
- 2. Removes the requirement to maintain a fuel card register for jerry can use in relation to action item 6.2.1 Fuel Card Usage Depot, as it is not the best industry practice;
- 3. Endorses the alternative fuel card system for jerry can use, which restricts the usage to a daily transaction limit of \$500 to mitigate the risk of misuse;
- 4. Acknowledges that action item 6.2.1 Fuel Card Usage Depot is now complete; and
- 5. Requests the Chief Executive Officer undertake an annual audit of jerry can fuel distribution to track fuel usage.

CARRIED

4/0

FOR THE M OTION		AGAINST THE MOTION
Cr E P Lilly		
Cr T G Gardiner		
Cr J D Manoni		
Cr S L Gillespie		

Background

The purpose of the Financial Management Systems Review is to assist the CEO in fulfilling his responsibilities under Section 6.10 of the *Local Government Act 1995* and Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*, which details the CEO's duties as to financial management.

The FMSR is in accordance with *Local Government (Financial Management) Regulation* 5(2)(c), whereby the Shire of Dardanup is required to regularly review the appropriateness and effectiveness of its financial management systems and procedures (not less than once in every 3 financial years) and report to Council the results of those reviews.

This review was undertaken by AMD Chartered Accountants in February 2025 with a copy of the report presented to the Audit and Risk Committee at the March 2025 meeting (Confidential Attachment C). The audit report contained 6 findings, and Council resolved to receive an update report through the Audit and Risk Committee on the actions required from the findings of the FMSR Audit to each committee meeting until resolved [Res: OCM 61-25].

This report has been compiled in direct response to Council's resolution.

Legal Implications

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

5 (2) The CEO is to —

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.

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	Audit Committee	AUD 04-19
2019	External	Accountants	Ordinary Council Meeting	OCM 56-19
2022	External	AMD Chartered	Audit and Risk Committee	AAR 03-22
2022	Accountants	Ordinary Council Meeting	OCM 75-22	

Budget Implications

Staff time is the only resource requirement needed to implement the findings from the FMSR. This remains in accordance with existing staff budgetary allocation.

Future FMSR will be provided for as an expenditure allocation under Audit Fees in the annual budget relating to the financial year of review.

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 10.7) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.						
Risk 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,				

Tier 2 – 'Low' or 'Moderate' Inherent Risk.						
		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

On completion of the review in February 2025, AMD Chartered Accountants issued a written report to the CEO to meet the requirements of Regulation 5(1) under the *Local Government (Financial Management) Regulations 1996*, being the Financial Management System Review, and did not extend to any financial report of the Shire.

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 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.	Low	Manager Governance	1 March 2025	Completed
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	Low	Manager Recreation Services	31 May 2025	Completed

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	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,		Officer	Date	
	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.				
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 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	Moderate	Director Corporate & Governance	31 December 2025	Completed

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	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 6.2.1	Authorisation for incurring liabilities and making payments Fuel Usage – Depot				
0.2.1	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.			31 May 2025	Completed
	Implications / Risks Increased risk of misappropriation or misuse of fuel going undetected.		Manager Operations		
	Recommendation We recommend a fuel register be developed and maintained in respect to fuel usage from jerry cans.	Low			
	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.	Low			
	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.				
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.	Low			
	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.				
	Implication / Risk There is an increased risk of inefficient procurement procedures.		Director Corporate &	31 December 2025	In Progress
	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.		Governance	2023	
	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.				

Ref	Issue	Risk Rating	Responsible Officer	Proposed Completion Date	Status
	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 31^{st} of December 2024, however the Annual Leave Accrual Report provided was for actuals as at 30^{th} 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.	Low	Manager HR	31 March 2025	Completed
	Employee No. 884 reduced annual leave by taking: - 91.20 hours in July 2024; and - 83.60 hours in January 2025.			2023	
	Employee No. 584 reduced annual leave by taking: - 68.40 hours in December 2024/January 2025.				
	Remaining leave accruals are planned to be reduced in the coming year for both employees.				
	The Executive, Management and Human Resources, receive monthly leave accrual reports from Payroll, who highlight those staff with excessive leave accruals. Any excessive leave accruals are discussed with the staff member, and a plan (such as a future leave form) is put in place to reduce the accrual.				
	In addition, the 6-monthly Risk Review, which is reported to the Executive Management Team, incorporates indicators that highlight the percentage of staff with greater that 20 days of accrued leave.				
	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 3.2.2 Physical Security

A new operating procedure has been introduced, outlining the process for quarterly safe code changes, thereby enhancing internal control measures and maintaining the security of cash on hand at the Eaton Recreation Centre.

This now competes this action item.

Item 4.2.1 Tender Management

The Shire of Dardanup Procurement Framework has been reviewed, and staff and management identified an opportunity for project officers to utilise the standardised contract management templates within the Framework suite.

Management have collaborated with project officers to promote the adoption of the standardised contract management templates. This approach will also be retrospectively applied to the 2024-2025 contract list, so that project officers complete and document a performance evaluation report for recently completed projects.

• Item 6.2.1 Fuel Usage Depot

Following a thorough review, management has determined that maintaining a fuel register for jerry can usage is unnecessary and not aligned with industry best practices. A fuel card system has been implemented as an alternative, with a daily transaction limit of \$500 to enhance internal controls and mitigate the risk of misuse.

Management seeks Council endorsement, through the Audit and Risk Committee, of this amended action plan in relation to item 6.2.1, and if accepted, this will now complete this action item.

• Item 7.2.1 Plans and Policies

To assist with the amalgamation of Administration Policy AP009 Light Vehicle Fleet Policy and Council Policy CP203 Light Vehicle Fleet Policy, an independent vehicle fleet review will be undertaken. Once complete, the review and policy will be presented to a future Council meeting, with the view to close out this action item by the due date of 31 December 2025.

Conclusion:

Management will continue to work towards completing their respective action items by the due dates, with update reports to be provided to each Audit and Risk Committee meeting until resolved.

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

None.

12. NEW BUSINESS OF AN URGENT NATURE

None.

13. MATTERS BEHIND CLOSED DOORS

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

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

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

- S 5.23 (1) Subject to subsection (2), the following are to be open to members of the public-
 - (a) all Council meetings; and
 - (b) all meetings of any committee to which a local government power or duty has been delegated.
 - (2) If a meeting is being held by a Council or by a committee referred to in subsection (1) (b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -
 - (a) a matter affecting an employee or employees;
 - (b) the personal affairs of any person;
 - (c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;
 - (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;
 - (e) a matter that if disclosed, would reveal -
 - (i) a trade secret;
 - (ii) information that has a commercial value to a person; or
 - (iii) information about the business, professional, commercial or financial affairs of a person,

where the trade secret or information is held by, or is about, a person other than the local government;

- (f) a matter that if disclosed, could be reasonably expected to -
 - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;
 - (ii) endanger the security of the local government's property; or
 - (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety;
- (g) information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and
- (h) such other matters as may be prescribed.
- (3) A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.

OFFICER RECOMMENDED RESOLUTION AND AUDIT & RISK COMMITTEE MEETING RESOLUTION

AAR 25-25 MOVED - Cr T G Gardiner SECONDED – Cr J D Manoni

THAT in accordance with the Local Government Act 1995, S 5.23, the Audit & Risk Committee go Behind Closed Door AT 3.45pm to discuss:

• 2(a) A matter affecting an employee or employees.

CARRIED

4/0

FOR THE MOTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	
Cr S L Gillespie	

13.1 Title: Cash Handling Discrepancy

Reporting Department Corporate & Governance Directorate

Reporting Officer Mrs Cindy Barbetti – Corporate Excellence & Compliance Officer

Legislation Local Government Act 1995

Council Role Executive/Strategic.
Voting Requirement Simple Majority.

REPORT UNDER SEPARATE COVER

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

OFFICER RECOMMENDED RESOLUTION AND AUDIT & RISK COMMITTEE RESOLUTION

Change to Officer Recommendation - No Change.

AAR 26-25 MOVED - Cr J D Manoni SECONDED - Cr T G Gardiner

OFFICER RECOMMENDED RESOLUTION TO THE AUDIT & RISK COMMITTEE MEETING

THAT the Audit and Risk Committee recommend that Council receive the 2025 Internal Audit Review — Cash Handling report, provided confidentially under separate cover (BCD Confidential Attachment A — Under Separate Cover).

CARRIED

4/0

	- 7,0
FOR THE MOTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	
Cr S L Gillespie	

OFFICER RECOMMENDED RESOLUTION

AAR 27-25 MOVED - Cr S L Gillespie SECONDED - Cr T G Gardiner

THAT the Audit & Risk Committee return from Behind Closed Doors at 3.52pm.

CARRIED

4/0

FOR THE MOTION	AGAINST THE MOTION
Cr E P Lilly	
Cr T G Gardiner	
Cr J D Manoni	
Cr S L Gillespie	

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

14. CLOSURE OF MEETING

The date of the next Audit & Risk Committee Meeting will be Wednesday, 10th of December 2025.

There being no further business the Chairperson, Cr E P Lilly declared the meeting closed at 3.52pm.

(Appendix ORD: 12.6.1B) JLT JLT Public Sector Risk Report **Edition**



GARY OKELYHead of JLT Public Sector, Pacific

NOTE FROM GARY OKELY

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

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

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

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

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

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

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

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

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

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



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

GARY OKELY

Head of Public Sector

(Appendix ORD: 12.6.1B)

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

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

01

02

05

03

FINANCIAL SUSTAINABILITY

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

CYBER SECURITY

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

ASSETS & INFRASTRUCTURE

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

04

PEOPLE & CULTURE

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



06

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

DISASTER & CATASTROPHE

The risk of disasters, both natural and manmade, is a top concern for Australian councils. While confidence in disaster preparedness is improving, councils increasingly acknowledge the unpredictable nature of climate change, prompting the need for adaptive planning and community engagement to enhance resilience. 07

80

09

BUSINESS CONTINUITY PLANNING

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

STATUTORY/REGULATION

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

WASTE MANAGEMENT

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

10

INEFFECTIVE GOVERNANCE

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

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

11

REPUTATION

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

LIABILITY CLAIM

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



TASMANIA

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



NORTHERN TERRITORY

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



QUEENSLAND

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



(Appendix ORD: 12.6.1B)

NEW SOUTH WALES

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



VICTORIA

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



SOUTH AUSTRALIA

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

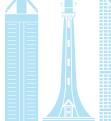


WESTERN AUSTRALIA

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

















RISKS BY REGION



CAPITAL CITY - NSW | VIC

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

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

10. Ineffective Governance



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

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

9. People & Culture

- 11. Reputation
 - 12. Civil Liability Claims



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

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

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

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



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

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

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

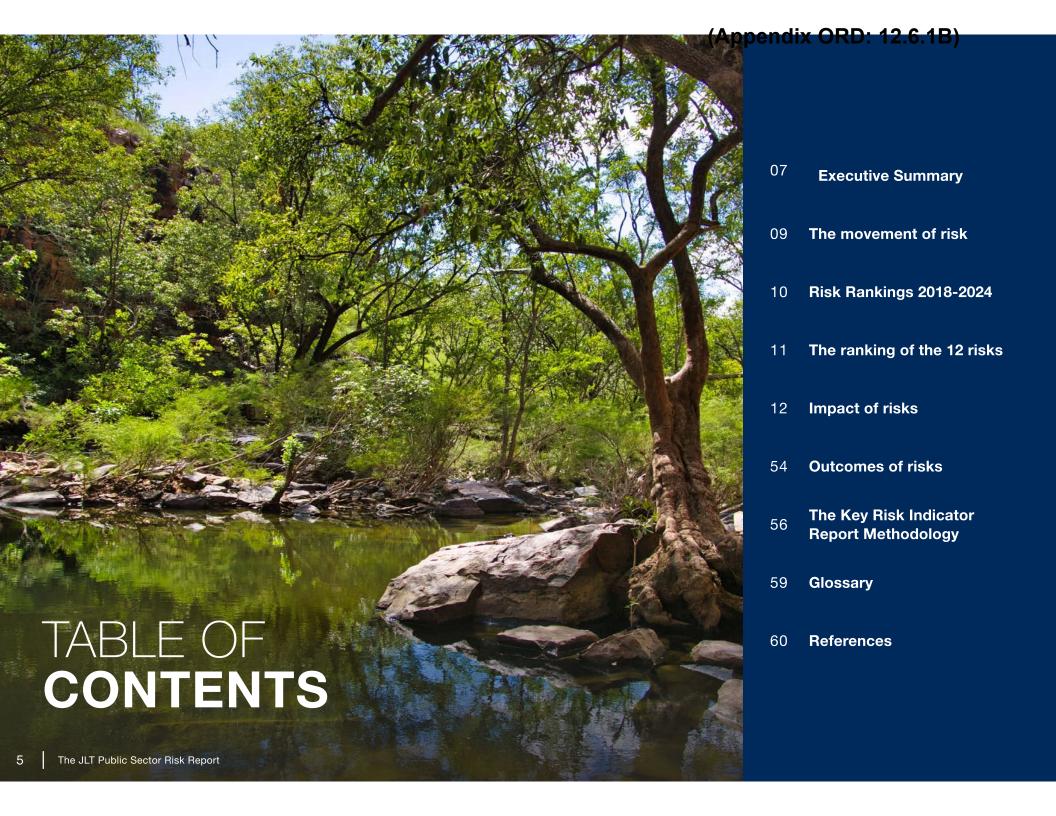


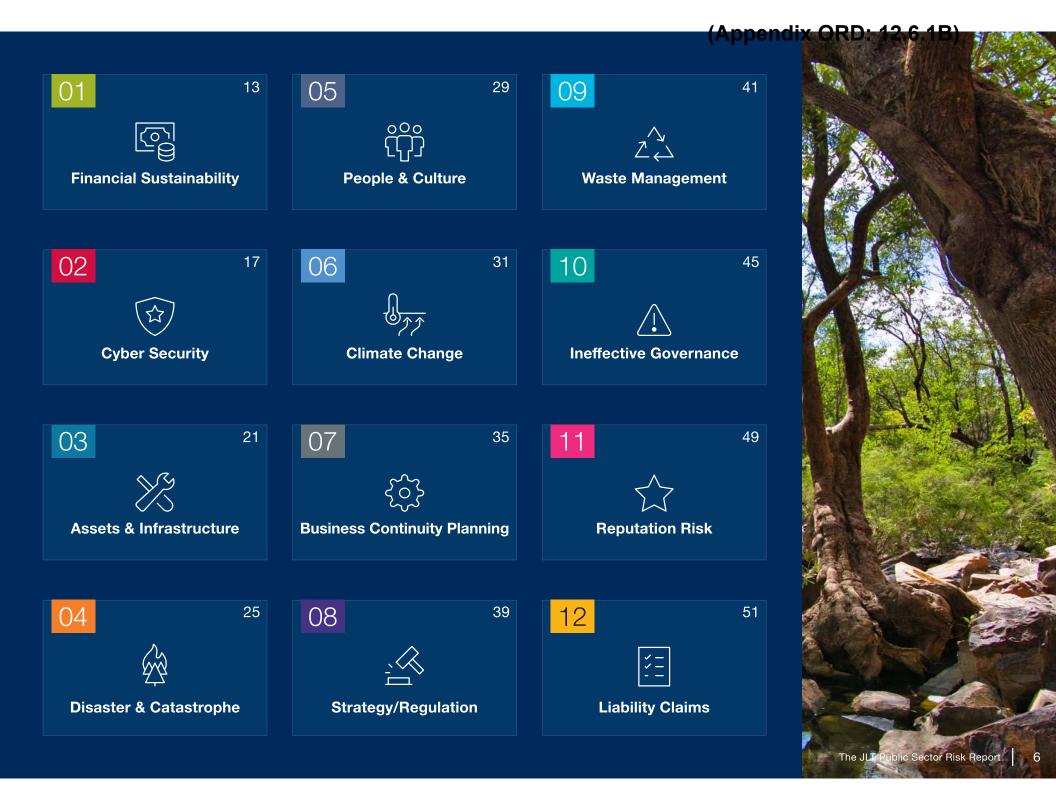
RURAL/REMOTE - NSW | NT | QLD | SA | TAS | VIC | WA

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

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

10. Ineffective Governance





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

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

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

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

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

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





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

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



TOP RANKING OF RISK BY STATE/TERRITORY

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

THE MOVEMENT OF RISK 2018-2024

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

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

RISK RANKINGS

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

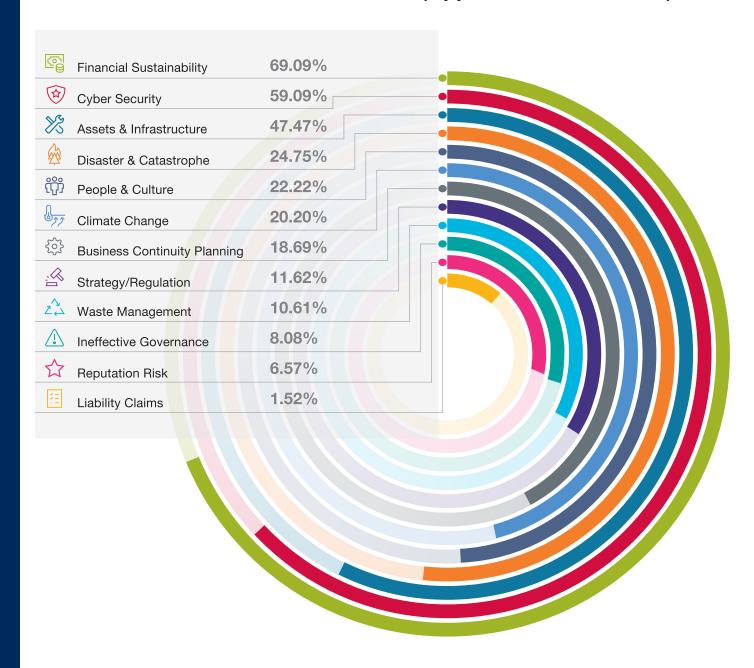
^{*} Previously title HR/WHS Mgt

THE RANKING OF THE 12 RISKS

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

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

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



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

IMPACT OF RISKS

AVERAGE RANKING

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

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

(Appendix ORD: 12.6.1B)

















Financial sustainability remains the



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

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

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

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

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

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

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

(Appendix ORD: 12.6.1B)

Top Three Ranking Factors



66.67%

RANKED 1

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



60.61%

RANKED 2

Cost shifting from other tiers of government

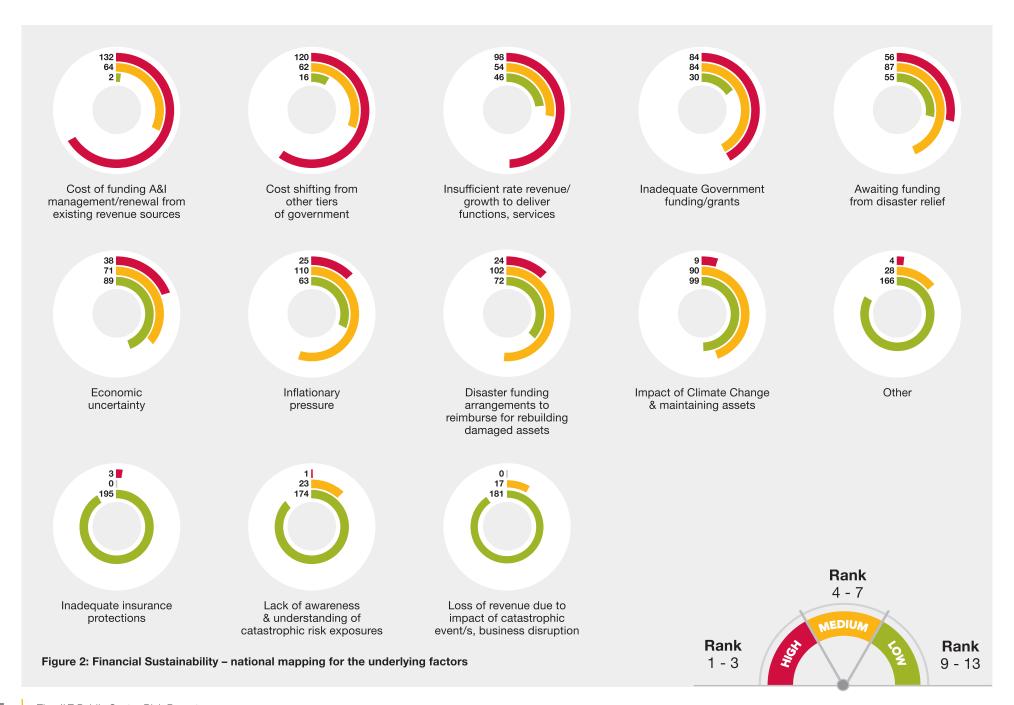


49.49%

RANKED 3

Insufficient rate revenue/ growth to deliver functions, services

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





69%

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

Top ranking underlying factors for Financial Sustainability by State/Territory

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

(Appendix ORD: 12.6.1B)

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

City

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

Metropolitan

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

Regional City

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

Regional

- management and renewal from existing revenue sources
- 3. Insufficient rate revenue (and/or growth) to deliver functions, services

Remote/Rural

- revenue sources
- 2. Cost shifting from other tiers of Government
- 3. Inadequate Government funding/grants





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

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

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

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

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

Top four underlying factors council identified with this Risk



69.07%

Ability of IT infrastructure/ provider to proactively manage cyber security



68.18%

Ability to respond to a cyber attack



50.08%

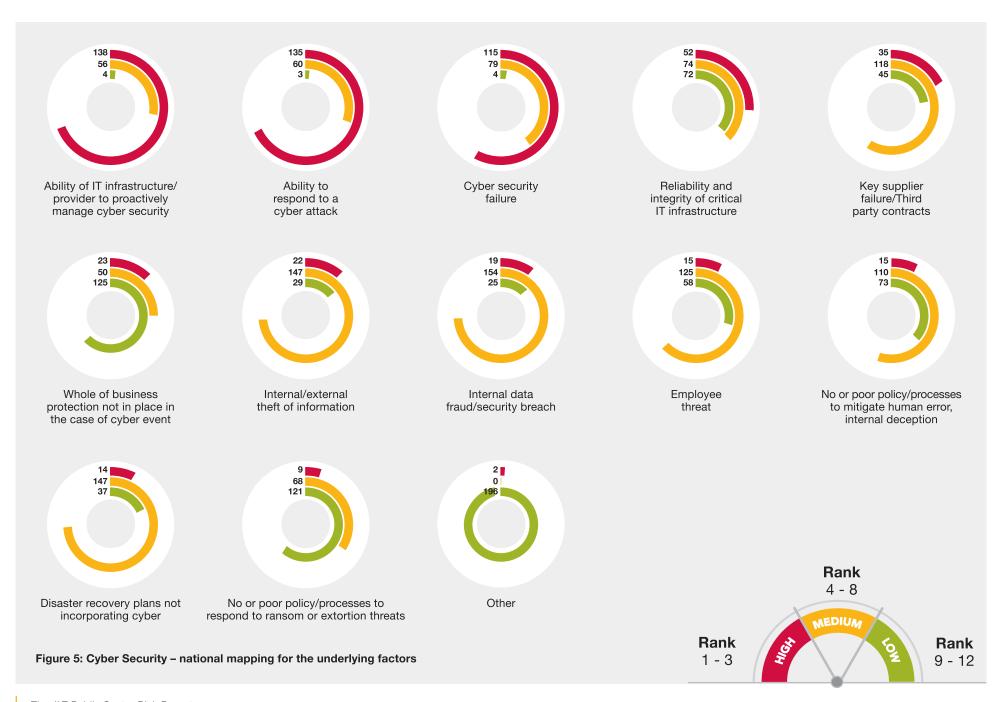
Cyber security failure



26.26%

Reliability & integrity of critical IT infrastructure

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





59%

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

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

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

City

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

Metropolitan

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

Regional City

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

Regional

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

Remote/Rural

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





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

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

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

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

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

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

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

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

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

(Appendix ORD: 12.6.1B)

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

157

respondents ranked Capacity to finance asset & infrastructure management.

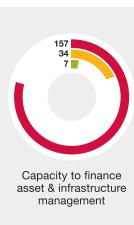
99

respondents ranked Cost of upgrading/ betterment when repairing assets.

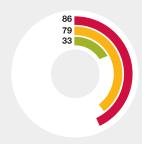
86

ranked Ability to adequately and appropriately insure assets/infrastructure.

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











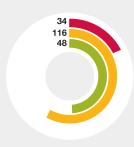
Cost of upgrading/ betterment when repairing assets. Ability to attract & retain suitably qualified & experienced human resources

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

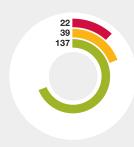
Significant increase in funding required due to limited supply chain &/ or inflation







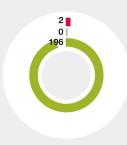
Impact of supply of resources & materials



Natural disaster/ catastrophe damage to critical infrastructure



Responsibility to maintain State Government owned assets



Other

Rank 1 - 3



Rank 9 - 12

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

The ability to attract and retain suitably qualified and experienced human resources has emerged as a pressing concern.

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

NSW NT QLD SA TAS VIC

WA

Capacity to finance asset and infrastructure management

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

City

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

Metropolitan

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

Regional City

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

Regional

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

Remote/Rural

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







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

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

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

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

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

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

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

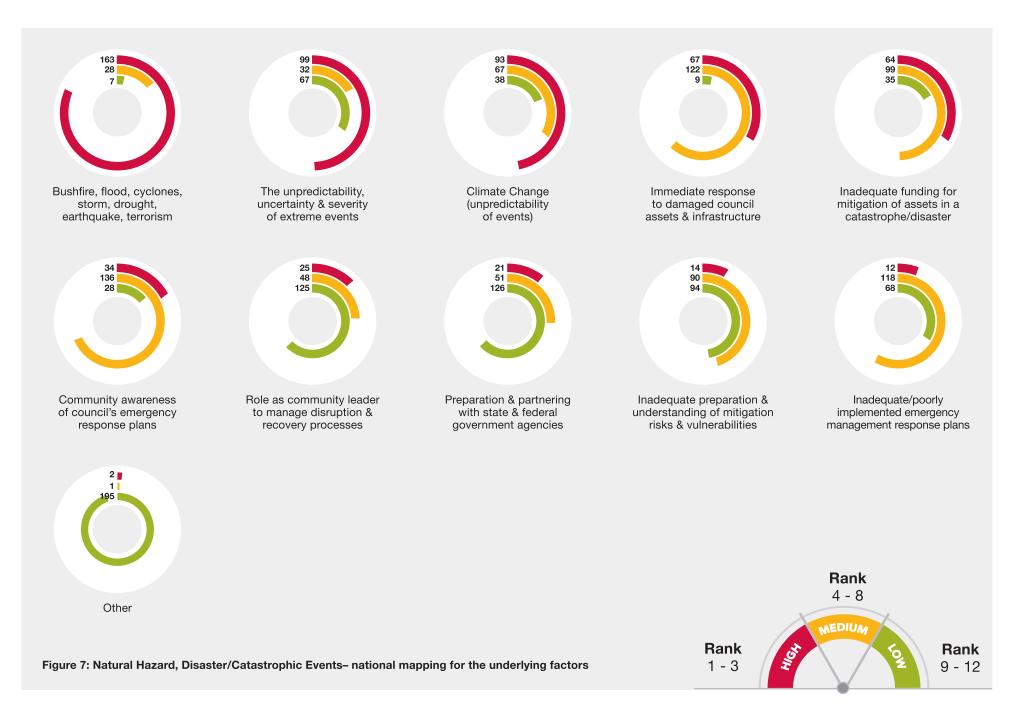
This ongoing commitment to improving disaster management strategies reflects a growing understanding of the interconnectedness of immediate threats and long-term environmental challenges. It's a little spare ain't it... here are some figures - I've chosen top three but you might just go with two.

67.68%

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

50%

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



46.97%

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

82.32%

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

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

NSW NT QLD TAS VIC WA

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

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

City

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

Metropolitan

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

Regional City

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

Regional

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

Remote/Rural

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



EOPLE & CULTURE The JLT Public Sector Ris

(Appendix ORD: 12.6.1B)

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

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

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

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

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

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

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

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



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

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

50.51% 37.88%

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

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

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

NSW NT QLD SA TAS

WA

Limited capacity to attract and retain professional staff

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

City

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

Metropolitan

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

Regional City

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

Regional

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

Remote/Rural

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





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

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

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

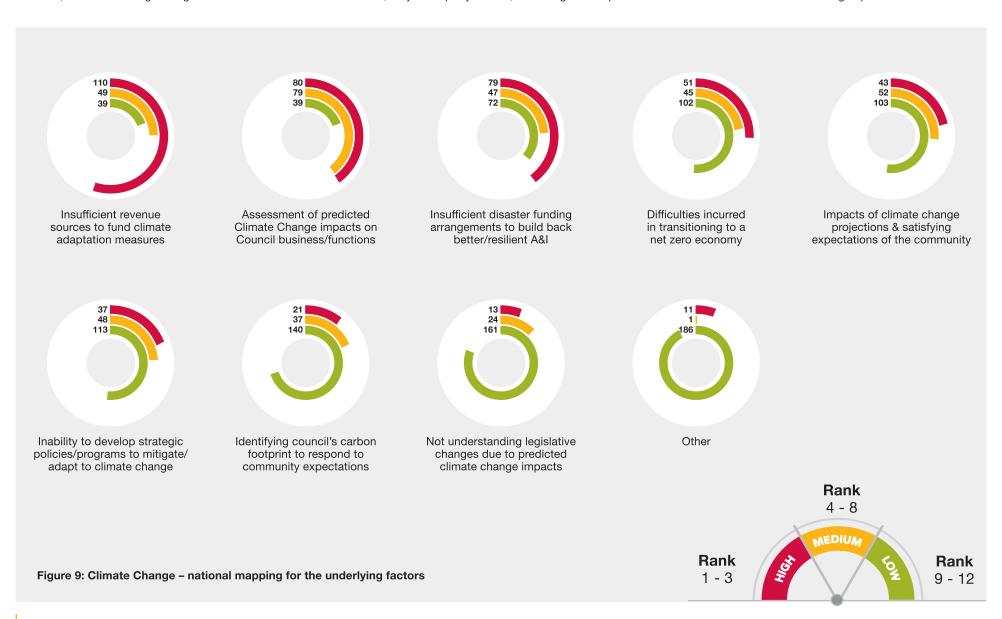
Concern regarding the adequacy of disaster recovery funding arrangements was also identified as a major concern by 36% of respondents ranking this factor equal second. Councils are expressing the need for better funding mechanisms to rebuild infrastructure and assets that are not only restored but are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

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

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

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

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



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

Capital City

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

Metropolitan

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

Regional City

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

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

Regional

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

Remote/Rural

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

Top ranking underlying factors for Climate Change by State/Territory

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







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

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

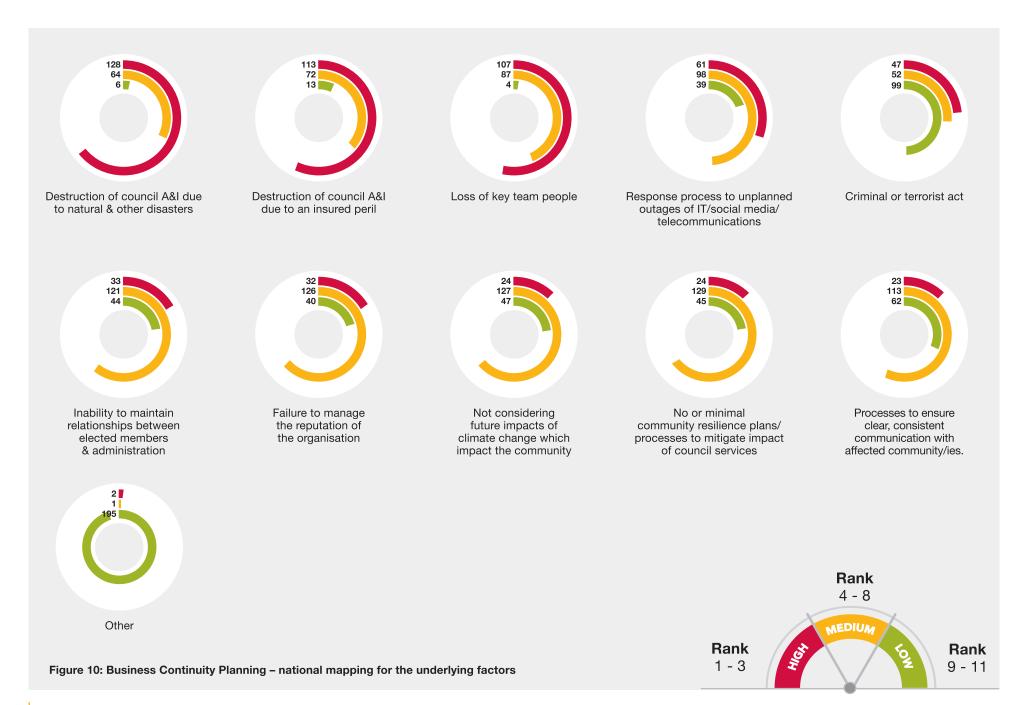
Nearly 63% of respondents expressed concern about the destruction of council assets due to insured perils, such as fire and vandalism. This concern remains relevant in the 2024 findings, as councils increasingly recognise the importance of risk assessment and insurance coverage, ranking this factor second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

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

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

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

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



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

City

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

Metropolitan

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

Regional City

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

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

Regional

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

Remote/Rural

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

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

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



8

STATUTORY/REGULATORY REQUIREMENTS



(Appendix ORD: 12.6.1B)

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

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

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

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

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

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

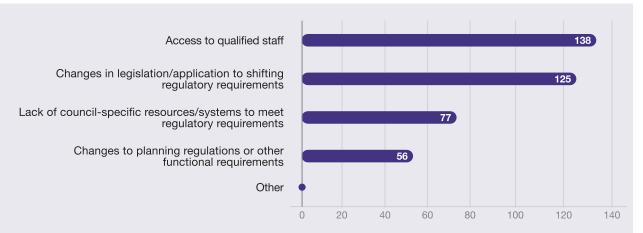


Figure 11: : Statutory & Regulatory Requirements – The number of CEO/GM's who ranked each factor as number one - nationally

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

(Appendix ORD: 12.6.1B)

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

City

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

Metropolitan

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

Regional City

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

Regional

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

Remote/Rural

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



PUT IT IN THE RIGHT BIN.



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

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

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

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

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

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

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

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

(Appendix ORD: 12.6.1B)

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



55.56%

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



48.99%

Ability to assess/mitigate risks/impacts of waste disposal



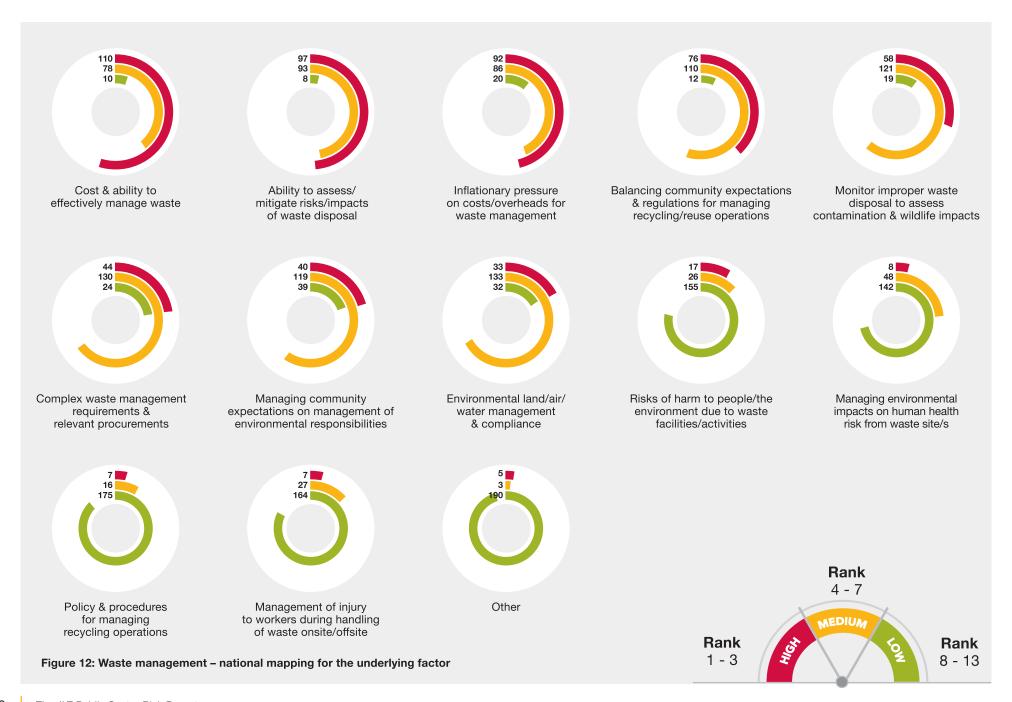
46.46%

Inflationary pressure on costs & overheads for waste management services

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

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

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



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

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

Top ranking underlying factors for Waste Management by State/Territory

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

(Appendix ORD: 12.6.1B)

Top three underlying factors for the waste management risk nationally:

City

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

Metropolitan

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

Regional City

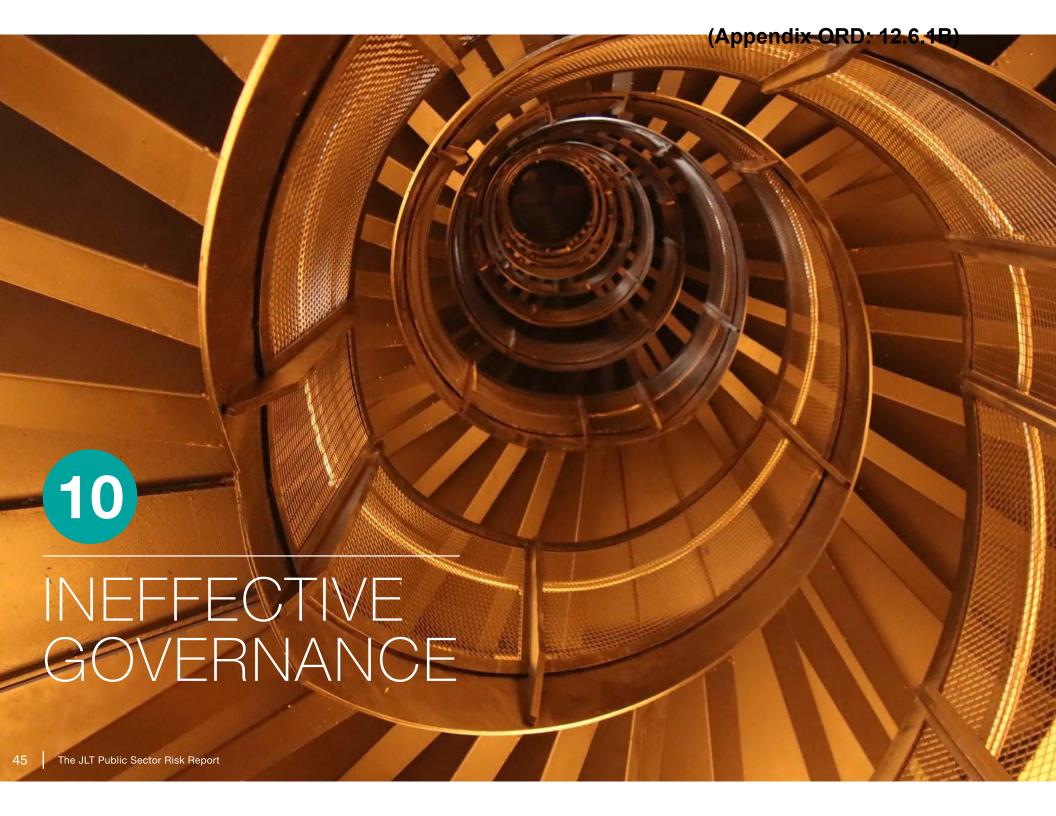
- 1. Cost and ability to effectively manage waste relevant to your Council area
- 2. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
- 3. Inflationary pressure on costs and overheads for waste management services

Regional

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

Remote/Rural

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



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

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

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

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

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

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

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

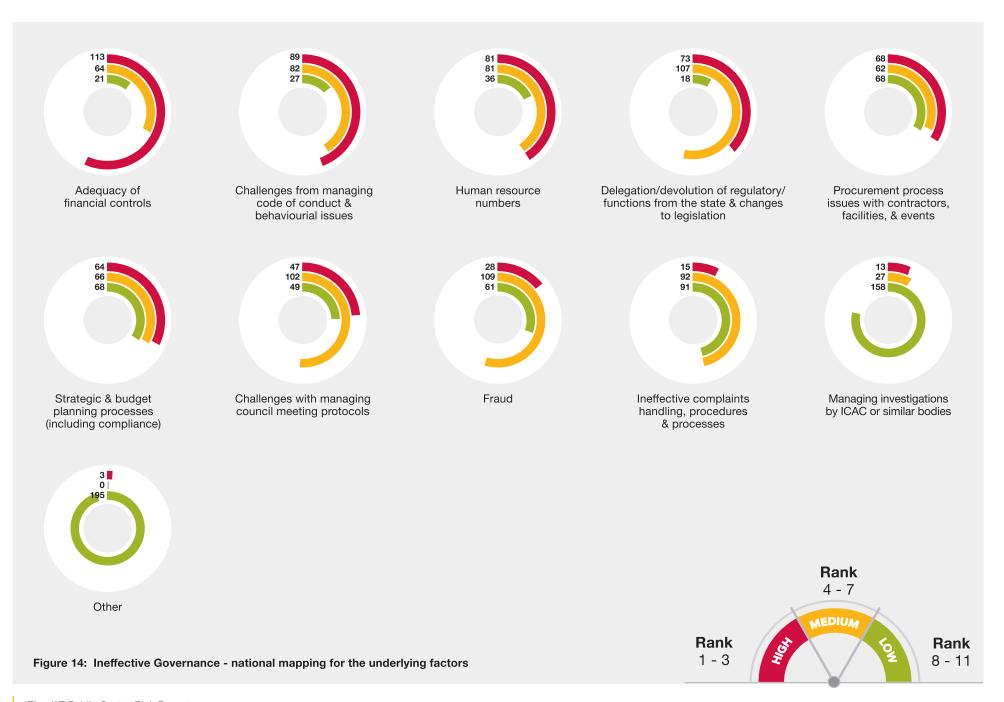
It also highlights the ongoing need for Councils to collaborate and continue to advocate with stakeholders such as their respective State Governments to address the impact that these regulatory changes have on Council operations, financial sustainability, and community impact.

(Appendix ORD: 12.6.1B)

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

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





Top ranking underlying factors for Ineffective Governance by State/Territory

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

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

City

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

Metropolitan

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

Regional City

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

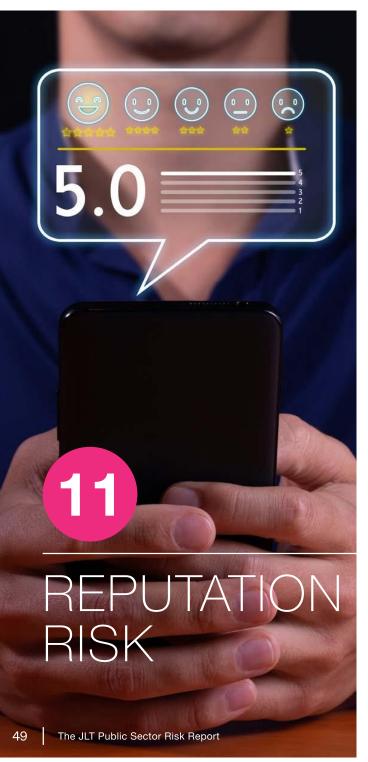
Regional

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

Remote/Rural

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





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

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

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

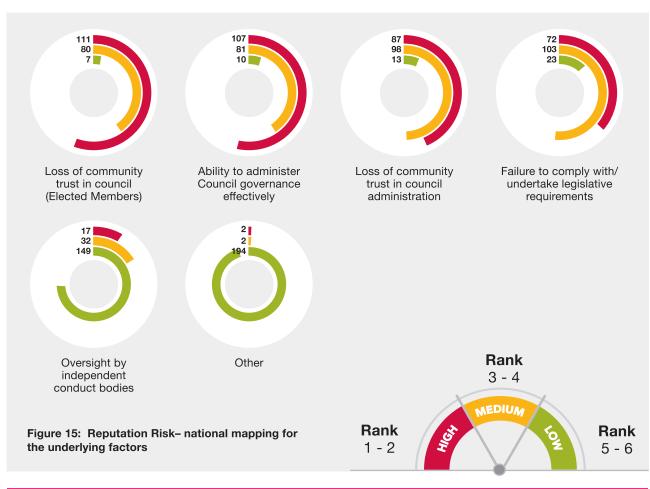
The survey results regarding the loss of community trust in council administration reveal a concerning trend in public perception from 2023 to 2024. In 2023, the loss of trust in council administration was ranked fourth indicating that while there were some concerns about the administration's effectiveness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

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

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

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

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



Top ranking underlying factors for Reputation Risk by State/Territory		
NSW, TAS, WA	Ability to administer council governance effectively	
NT, QLD	Loss of community trust in council administration	
SA, VIC Loss of community trust in council administration (Elected Members)		

Top three underlying factors for the reputation risk nationally:

City

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

Metropolitan

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

Regional City

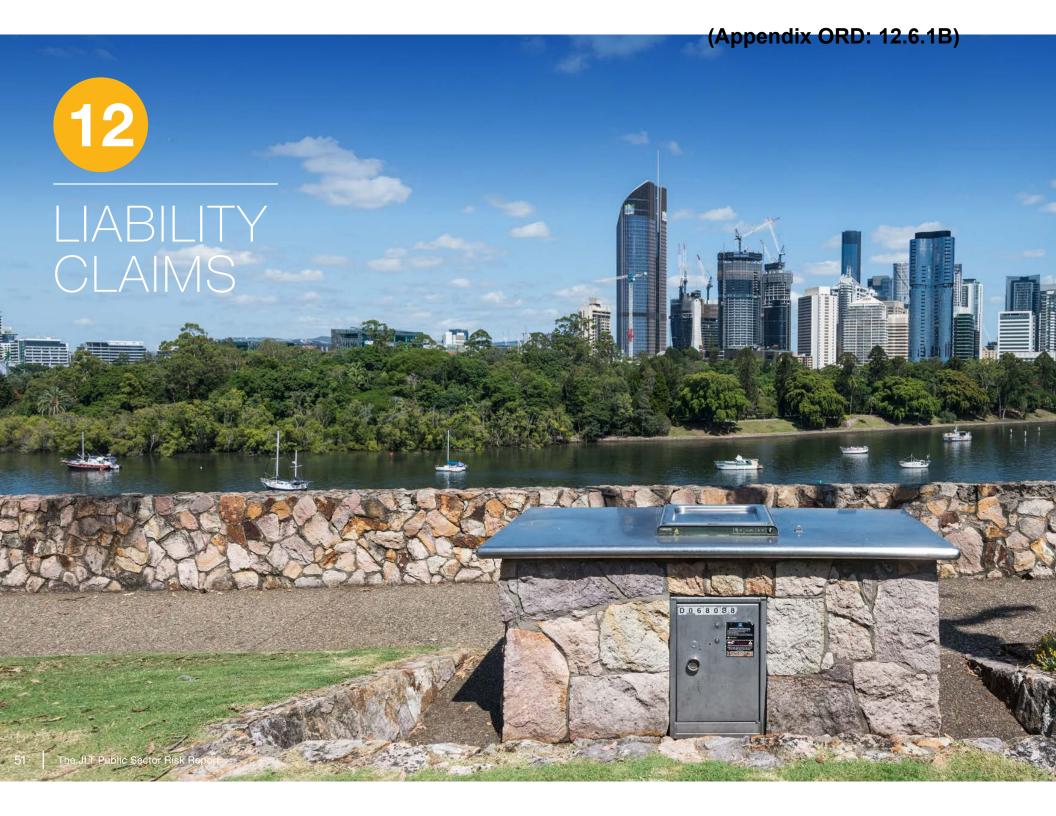
- 1. Loss of community trust in council (Elected Members)
- 2. Loss of community trust in council administration
- 3. Failure to comply with/undertake legislative requirements

Regional

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

Remote/Rural

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





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

underlying factors contributing to this perception.

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

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

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

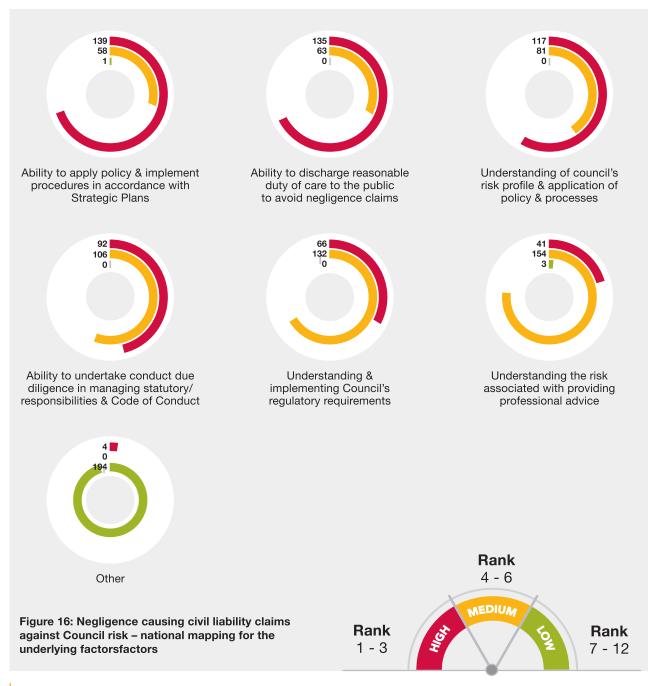
(Appendix ORD: 12.6.1B)

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

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

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

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



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

City

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

Metropolitan

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

Regional City

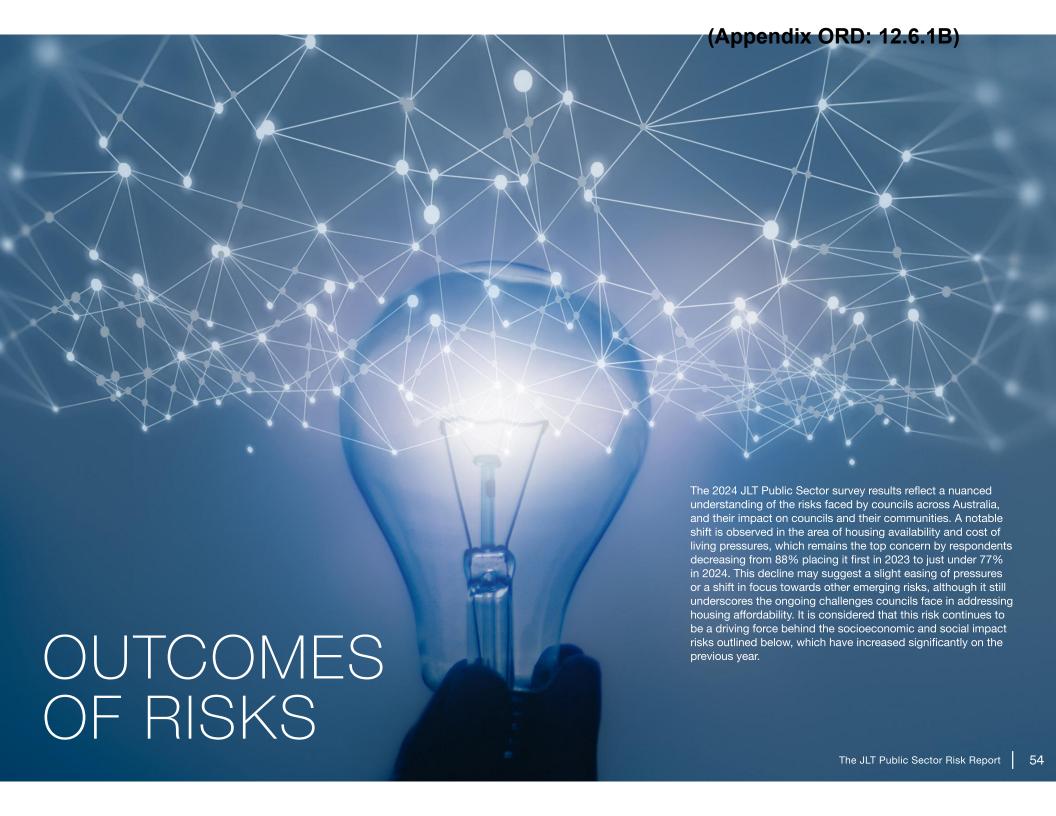
- Ability to apply policy and implement procedures in accordance with the Strategic Plan
- 2. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
- 3. Understanding of council's risk profile and application of the risk management policy and processes

Regional

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

Remote/Rural

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



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

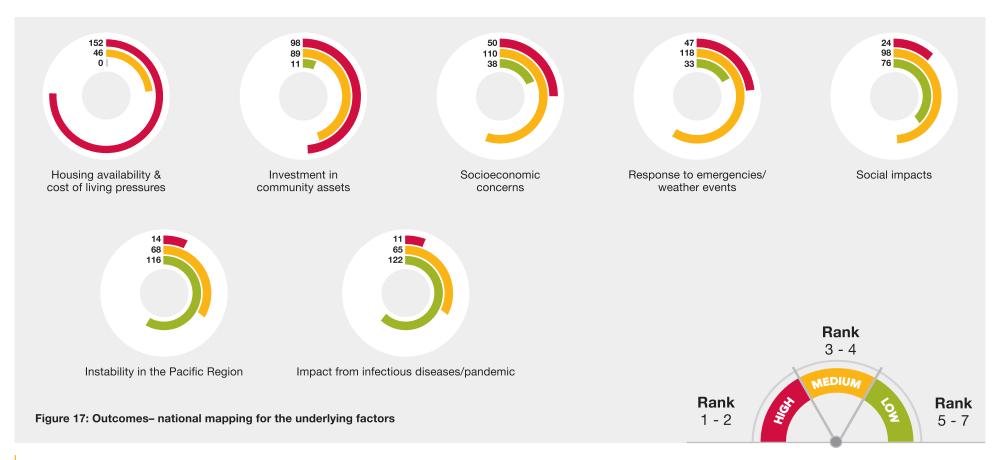
The response to emergencies and weather events moved from third position in 2023 to fourth in 2024. This change may reflect the growing awareness of the impact of extreme weather events and associated risks councils and their community's face and their growing recognition of the need to enhance preparedness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

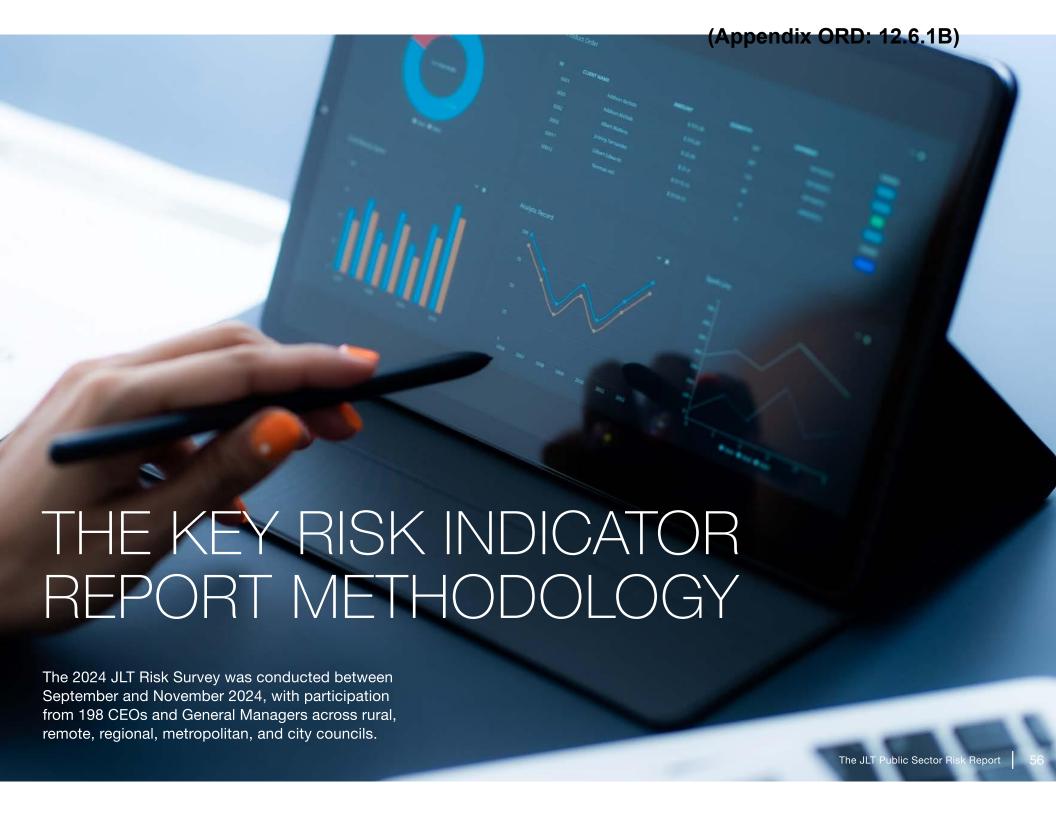
Socioeconomic concerns have rose from fourth to third position, but the number of those responding to this as a concern significantly rose from nearly 19% to 25.25%, indicating that councils are becoming more attuned to the broader social issues affecting their communities. This increase suggests a heightened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

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

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

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





Survey Approach

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

The following example illustrates this ranking approach:

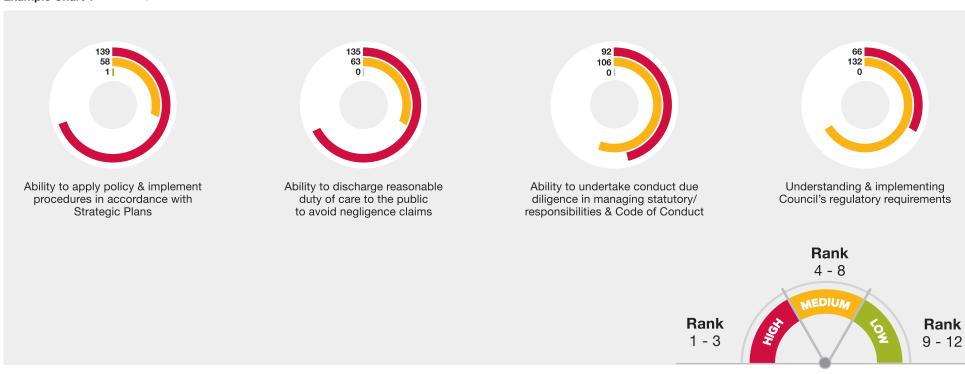
If we take the example risk above, the highlighted column above sums to 100% and shows a breakup of all the risks ranked at number one.

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

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

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

Example Chart 1



Example Chart 2



Survey Respondents

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

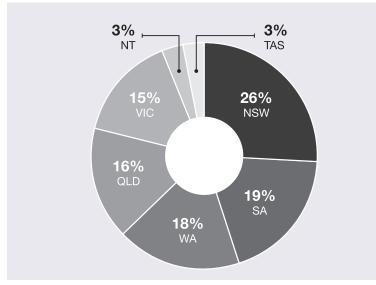


Figure 18: Number of council respondents

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



Figure 19: Regional Respondents

GLOSSARY

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

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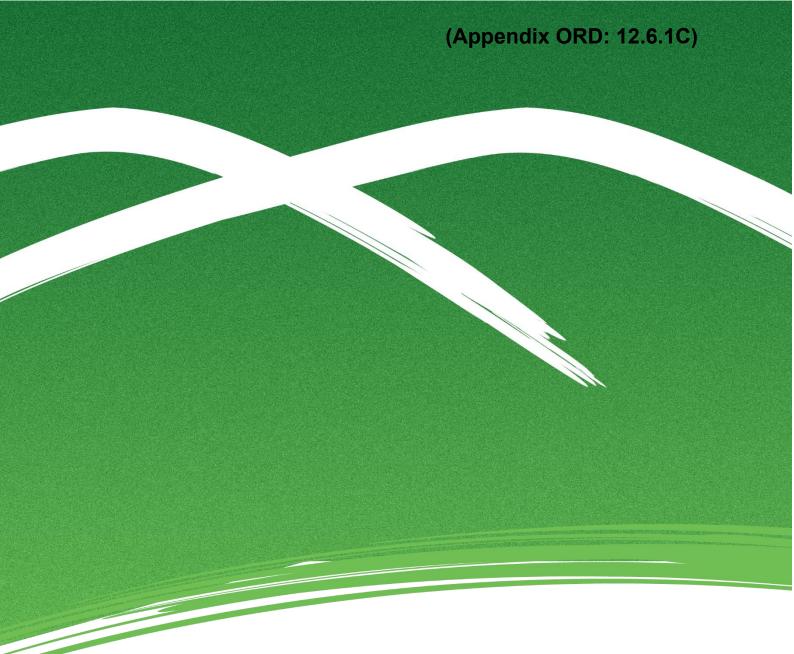
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Internal Audit Strategic Plan

2025/26 - 2027/28





Natalie Hopkins

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7.0

10/09/2024

Annual update of plan

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Introduction

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

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

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

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

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

Internal Audit Activities Overview

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

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

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

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

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



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

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

Financial

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

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

Compliance

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

Performance (improvement)

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

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

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

CPA Australia; and



Chartered Accountants Australia and New Zealand.

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

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

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

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

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

Methodology

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

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

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

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



Internal Audit Coverage Prioritisation

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

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

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

Objective

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

Engagement scope is driven by:

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





Responsibilities

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

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

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

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

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

Auditor General Reports

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28 October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a new category of audits known as 'performance audit reports' which examine the economy, efficiency, and effectiveness of any aspect of a local government's operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases 'guides' to help support good governance within a local government's operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be further viewed as a vital component of the internal control function under Regulation 17.





Internal Audit Annual Work Plan

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



Annual Audit Review 2025-2026

Assurance - Financial; Compliance

Accounts Payable

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

Assurance – Financial; Compliance

ERP Access Management

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

Assurance – Compliance

Tender Register

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

Register of Gifts and Contributions to Travel Register

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

Electoral Gift Register

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

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



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

Common Seal Register

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

Related Party Register

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

Elected Member Fees, Expenses & Allowances

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

Complaints Register

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

Assurance – Compliance

Recordkeeping Audit

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



Template – Internal Audit Assessment and Response Summary

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



Office of the Auditor General
Serving the Public Interest

Our Ref: 8658-002

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

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

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

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

Dear Mr Schönfeldt

ENTITY NOTIFICATION IN-HOUSE AUDIT

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

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

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

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

Yours sincerely

Mark Ambrose

Mark Ambrose Acting Assistant Auditor General Financial Audit 19 June 2025