



Notice of Audit & Risk Management Committee Meeting

Held on 31 July 2025 and commence at 4:00pm
To be held at the Council Chambers in Donnybrook
(1 Bentley Street, Donnybrook)

Authorised:

Mr Nick O'Connor, Chief Executive Officer

Prepared:

29 July 2025

Disclaimer:

Please note the items and recommendations in this document are not final and are subject to change or withdrawal.

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1. Declaration of Opening / Announcement of Visitors

Acknowledgement of Country:

The Chairperson to acknowledge the continuing connection of Aboriginal people to Country, culture and community, including traditional custodians of this land, the Wardandi and Kaneang People of the Noongar Nation, paying respects to Elders, past and present.

The Chairperson to declare the meeting open and welcome the public gallery.

2. Attendance

Members Present:

Cr Vivienne MacCarthy

Cr John Bailey

Mr Ian Telfer, External Member

Mr Angelo Loguidice, External Member

Staff Present:

Nick O'Connor, Chief Executive Officer

Meta Hazeldine, Manager Financial Services

Ross Marshall, Director Operations

Other Members Present:

Public Gallery:

Guests:

2.1. Apologies

Cr Alexis Davy

Loren Clifford, Acting Director Finance & Corporate

2.2. Approved Leave of Absence

Nil.

2.3. Application for Leave of Absence

3. Announcements from the Chairperson

4. Declarations of Interest

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Councillors to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the Act.

5. Public Question Time

5.1. Responses to previous public questions that were taken on notice

Nil.

5.2. Public Question Time

6. Confirmation of Minutes

6.1. Audit and Risk Management Committee Meeting held on 14 May 2025

Minutes of the Audit and Risk Management Committee Meeting held 14 May 2025 are attached as Attachment 6.1(1).

EXECUTIVE RECOMMENDATION

That the Minutes from the Audit and Risk Management Committee Meeting held 14 May 2025 be confirmed as a true and accurate record.

7. Reports of Officers

7.1. Director Finance and Corporate

7.1.1 Audit Findings Progress Report (May 25 – July 25)

Report Details:

Prepared by: Loren Clifford, Acting Director Finance and Corporate

Manager: Nick O'Connor, Chief Executive Officer

File Reference: FNC 02A

Voting Requirement: Simple Majority

Attachment(s):

7.1.1(1) Audit Findings Progress Report (1 May 25 – 31 July 25)

Executive Recommendation

That the Audit and Risk Management Committee:

1. **Notes the update provided in Audit Findings Progress Report for the period covering 1 May 2025 – 31 July 2025** Attachment 7.1.1(1).

Strategic Alignment

The following outcomes from the Council Plan relate to this proposal:

Outcome: 11 - Strong, visionary leadership.

Objective: 11.1 - Provide strategically focused, open and accountable governance.

Item: Nil.

Executive Summary

It's requested that the Audit and Risk Management Committee (ARMC) notes the update provided on the Audit Findings Progress Report for the period covering May 2025 – July 2025.

Background

Under the *Local Government Act 1995* and associated regulations, the Shire is required to undertake several types of audits to ensure accountability and transparency. These Audit's consist of:

1. Financial Audits – The Shire must have their financial statements audited annually. This is mandated under Section 7.9 of the *Local Government Act 1995*.
2. Financial Management Review - is governed by Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996*. This regulation requires the CEO to regularly review the appropriateness and effectiveness of the financial management systems and procedures of the local government, with a minimum frequency of once every three financial years.
3. Compliance Audits – The Shire must complete a compliance audit return (CAR) annually, which is reviewed by the ARMC, and Council then submitted to the Department of Local Government, Sport and Cultural Industries. This requirement is outlined in Regulation 14 of the *Local Government (Audit) Regulations 1996*.

4. Audit Regulation 17 Review - is a requirement under the *Local Government (Audit) Regulations 1996*. It requires the Chief Executive Officer (CEO) of a local government to review the appropriateness and effectiveness of the local government's systems and procedures in relation to:
 - Risk Management
 - Internal Control
 - Legislative Compliance
5. Internal Audits - While not explicitly mandated, internal audits are recommended as part of good governance practices. They help the Shire identify and mitigate risks proactively.

Regular reporting on progress and actions taken in response to audit findings to the Audit and Risk Management Committee should be undertaken to ensure transparency and accountability, demonstrating a commitment to addressing identified issues and improving governance.

Risk Management

Risk:	Likelihood:	Consequence:	Risk Rating:
Compliance	Likely	Minor	Moderate (8)
Risk Description:	Not reporting updates on audit findings to the audit committee on a regular basis can lead to a lack of oversight, delayed corrective actions, and potential non-compliance with regulatory requirements.		
Mitigation:	Establish a reporting schedule and process as outlined in this report.		

Financial Implications

Nil.

Policy Compliance

Nil.

Statutory Compliance

Nil.

Consultation

An internal review of the findings contained in [Attachment 7.1.1\(1\)](#) were reviewed by key responsible officers, providing an Administration Update, and Status Update.

Officer Comment

Regular reporting on progress and actions taken in response to audit findings remains a key accountability measure for the Shire. This practice supports transparency and demonstrates a commitment to governance improvement. All items identified from the Compliance Audit Return (CAR) have now been actioned and resolved. Good progress has also been made in addressing the

outstanding items from internal audit surrounding the ICT Strategy. The implementation of the new Electronic Document Records Management System (EDRMS) has now been completed.

This report does not include the recent Financial Management Review or the Audit Regulation 17 Review, of which was workshopped with Council in June 2025. Of the FMR, Audit Reg 17 findings, 28 actions have been completed, 20 are three-quarters completed, 16 are half completed, 20 are quarter completed, and 19 have not been started.

Quarterly reporting will continue where there are findings to report, covering the five key audit areas:

1. Financial audits,
2. Financial Management Review,
3. Compliance audit,
4. Audit Regulation 17 Review, and
5. Internal audits.

The Audit and Risk Management Committee is requested to note the update provided in [Attachment 7.1.1\(1\)](#).

7.1.2 Risk Management Report/Update

Report Details:

Prepared by: Loren Clifford, Acting Director Finance and Corporate

Manager: Nick O'Connor, Chief Executive Officer

File Reference: FNC

Voting Requirement: Simple Majority

Attachment(s):

Nil.

Executive Recommendation

That the Audit and Risk Management Committee:

- 1. Notes the Risk Management Framework Update** Attachment 7.1.2(1).

Officer Comment

Following Council's adoption of the Risk Management Framework and Policy in December 2024, progress has been made in laying the foundation for a structured and consistent approach to risk management across the organisation.

Progress to Date

1. The Risk Management Framework and Policy were formally endorsed by Council in December 2024, establishing the guiding principles and responsibilities for managing risk.
2. A preliminary Risk Register has been developed using historical data from a previous Shire register and benchmarking against a neighbouring council's risk controls. This provides a starting point for identifying and assessing key organisational risks.
3. At a structured workshop the Executive Leadership Team (ELT) reviewed and rated the Shire identified risks, establishing a shared understanding and ownership of those risks while setting the inherent risk ratings to provide a baseline for future assessment.
4. The ELT participated in another workshop to rate the effectiveness of the current controls in place.

Next Steps

1. A further workshop is planned to continue to rate the effectiveness of the current controls in place and identify any gaps.
2. Based on workshop outcomes, the Risk Register will be updated to reflect accurate risk ratings and control assessments.
3. Risk considerations will be embedded into operational and strategic planning processes to ensure alignment with organisational objectives.
4. A schedule for regular review and reporting will be established to ensure risks are monitored, controls remain effective, and the framework continues to evolve with the organisation's needs and capacity.

7.1.3. Investment Policy

Report Details:

Prepared by: Manager Financial Services

Manager: Loren Clifford, Acting Director Finance and Corporate

File Reference: FNC 02A

Voting Requirement: Simple Majority

Attachment(s):

7.1.3(1) Draft – Council policy FIN/CP-2 Investments – tracked changes

Executive Recommendation

That the Audit and Risk Management Committee:

- Note the review of Council policy FIN/CP-2 Investments as per Attachment 7.1.1(1) and endorse the amendments as outlined in this report for Council's adoption.**

Strategic Alignment

The following outcomes from the Council Plan relate to this proposal:

Outcome: 11 - Strong, visionary leadership.

Objective: 11.1 - Provide strategically focused, open and accountable governance.

Item: Nil.

Executive Summary

Council policy FIN/CP-2 Investments is presented for the Audit and Risk Management Committee (ARMC) consideration and subsequent Council endorsement.

Background

The Investments policy was initially adopted by Council in 2001, it was further amended in 2021, as outlined in the Synopsis in the Revision Requirements and Version Control table at the bottom of Attachment 7.1.3(1).

During the interim audit, auditors noted the policy was three (3) years past it's stated review date and therefore not kept in line with Regulation 19 of the *Local Government (Financial Management) Regulations 1996*. The rating received was minor.

Risk Management

Risk:	Likelihood:	Consequence:	Risk Rating:
Financial Impact	Possible	Major	High (12)
Risk Description:	Maintaining a 75% investment exposure with Bendigo Bank increases the Shire's concentration risk and vulnerability to credit rating changes, which could impact liquidity and compliance with internal risk thresholds.		
Mitigation:	Reduce the Bendigo Bank portfolio limit to 50%.		

Risk:	Likelihood:	Consequence:	Risk Rating:
Compliance	Possible	Major	High (12)
Risk Description:	Maintaining a 75% investment exposure with Bendigo Bank poses compliance risks by exceeding internal counterparty limits, increasing vulnerability to credit rating changes, and potentially conflicting with statutory obligations and governance expectations.		
Mitigation:	Reduce the Bendigo Bank portfolio limit to 50%.		

Financial Implications

Nil.

Policy Compliance

Council Policy EXE/CP-8- Policy Framework

Draft – Council policy FIN/CP-2 Investments ([Attachment 7.1.3\(1\)](#)) has been amended in accordance with the requirement of the Policy framework.

Statutory Compliance

Although there is no requirement for local governments to have an Investments policy, it is considered best practice in providing good governance.

Consultation

Senior Finance staff were consulted during the review of this policy.

Officer Comment

A review of the current Investments policy has been undertaken, the current policy sets a 20% exposure limit for institutions rated A/A-2, which includes Bendigo Bank. The current 75% allocation is a formal policy exception and may be viewed as inconsistent with the policy's risk control framework, it's recommended that the exception investment with Bendigo Bank is amended to reduce the potential risk to the Shire.

Amendments have been made to the policy to reduce this risk, the draft policy ([Attachment 7.1.3\(1\)](#)) reflects a reduction to Bendigo Bank portfolio limit capping it at 50%. It's not recommended to

lowering the limit to 20%, as Bendigo serves as the Shire's primary operating account. Imposing a 20% cap would introduce significant administrative complexity and resource demand to manage day-to-day transactions across multiple institutions.

It's worth noting that Bendigo's credit rating was upgraded in 2024 and does now ordinarily fit within the lowest risk ratings. However, rating can change, and a downgrade could result in non-compliance with the policy's minimum credit rating requirements, necessitating divestment.

7.1.4 Interim Audit for the Year Ending 30 June 2025

Report Details:

Prepared by: Loren Clifford, Acting Director Finance and Corporate

Manager: Nick O'Connor, Chief Executive Officer

File Reference: FNC 02A

Voting Requirement: Simple Majority

Attachment(s):

7.1.4(1) **Interim Audit Management Letter - Confidential**

Executive Recommendation

That the Audit and Risk Management Committee recommend to Council to:

- 1. Receive the Interim Audit Management Letter and attached Findings Report for the year ending 30 June 2025 in Attachments 7.1.4(1); and**
- 2. Notes the Management Comments provided, stating the actions the Chief Executive Officer intends to take with respect to the four matters identified in the attachment to the Interim Audit Management Letter.**

Strategic Alignment

The following outcomes from the Council Plan relate to this proposal:

Outcome: 11 - Strong, visionary leadership.

Objective: 11.1 - Provide strategically focused, open and accountable governance.

Item: Nil.

Outcome: 12 - A well respected, professionally run organisation.

Objective: 12.1 - Deliver effective and efficient operations and service provision.

Item: Nil.

Executive Summary

The Office of the Auditor General (OAG) provided the Interim Audit results for the year ending 30 June 2025. The scope of the audit was to express an opinion on whether the Shire's general purpose financial report:

- is based on proper accounts and records;
- presents fairly, in all material respects, the results of Shire's operations for the year ended 30 June 2025 and its financial position as at that date; and
- complies with the *Local Government Act 1995* and, where not inconsistent with the Act, the Australian Accounting Standards.

The Audit and Risk Management Committee has been asked to receive the Interim Audit Management Letter and Report on Findings.

Background

AMD Chartered Accountants were appointed on behalf of the OAG to conduct the annual Interim Audit, for the year ending 30 June 2025.

Risk Management

Risk:	Likelihood:	Consequence:	Risk Rating:
Compliance	Unlikely	Minor	Low (4)
Risk Description:	The Chief Executive Officer's does not meet statutory obligations in relation to financial management practices		
Mitigation:	Present the Interim Audit Management Letter and attached Findings Report to the ARMC.		

Financial Implications

Nil.

Policy Compliance

Nil.

Statutory Compliance

Local Government Act 1995

The Interim Audit forms part of the Annual Audit process required under Section 7.2 of the Act, which requires the audit of the accounts and annual financial report.

Local Government (Financial Management) Regulations 1996

Regulation 5(1) outlines the Chief Executive Officer's responsibilities in relation to financial management practices.

Consultation

An entrance meeting was held on 14 May 2025 between representatives of the Audit and Risk Management Committee, Shire staff, AMD, and the Office of the Auditor General to review the Audit Planning Summary in preparation for the audit of the financial year ending 30 June 2025.

Officer Comment

The interim audit identified four key areas requiring attention. While some findings relate to broader governance and compliance, others touch on operational, and ICT matters that are being addressed through structured planning and implementation. Detailed responses and timelines are provided in the confidential attachment.

1. ICT Governance and Risk Management

The audit identified the absence of a formal ICT strategy, supporting policies, and a completed IT risk register. Management has since finalised and tested the Disaster Recovery Plan. The Executive Leadership Team (ELT) is currently engaging consultants to present their proposed ICT strategy frameworks. ICT-related policies and training will follow to ensure alignment with strategic objectives and risk mitigation.

2. Organisational Risk Register

The Shire previously lacked a formally maintained risk register. The ELT has now populated the register and continues to conduct workshops to review associated controls. This collaborative approach is designed to embed ownership and ensure alignment with the Shire's Risk Management Framework.

3. Business Continuity Planning

The Business Continuity Plan (BCP) remains in draft and has not yet been tested. Management has deferred finalisation until the ICT Strategy is complete to ensure integration with digital infrastructure and service continuity planning. With the Disaster Recovery Plan now in place, the BCP will be finalised and tested in alignment with broader ICT capabilities.

4. Policy Review and Compliance

Two policies, the Investment Policy and the Code of Conduct, were found to be overdue for review. The Investment Policy has been reviewed and is scheduled for presentation to the Audit and Risk Management Committee at its July 2025 meeting. The Code of Conduct will be presented to Council at the August 2025 Ordinary Council Meeting.

7.1.5 Chief Executive Officer Briefing

Items to be briefed include:

- 2025/26 Budget
- Irishtown Bridge insurance claim
- Food and garden organics (FOGO service)
- ICT strategy development
- MRWA transfer of responsibility for bridge maintenance
- Asset optimisation

Executive Recommendation

That the Audit and Risk Management Committee Meeting note the update provided to the Committee.

8. Meetings Closed to the Public

8.1. Matters for which the Meeting may be closed

Nil.

8.2. Public reading of Resolutions that may be made public

Nil.

9. Closure

The Chairperson to advise that the next Audit and Risk Management Committee Meeting is to be advised.