



## Notice of Audit & Risk Management Committee Meeting

To be held on 18 March 2025 and commence at 4:30pm

To be held at the Council Chambers in Donnybrook

*(1 Bentley Street, Donnybrook)*

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**Authorised:**

Mr Nick O'Connor, Chief Executive Officer

**Prepared:**

14 March 2025

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**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 at ##:##am/pm and welcome the public gallery.

## 2. Attendance

### **Members Present:**

Cr Vivienne MacCarthy

Cr John Bailey

Cr Alexis Davy

Mr Ian Telfer, External Member

Mr Angelo Loguidice, External Member

### **Staff Present:**

Nick O'Connor, Chief Executive Officer

Samantha Farquhar, Administration Officer  
Corporate Services

Ross Marshall, Director Operations

Loren Clifford, Acting Director Finance &  
Corporate

### **Other Members Present:**

Public Gallery:

Guests:

### 2.1. Apologies

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### 2.2. Approved Leave of Absence

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### 2.3. Application for Leave of Absence

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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

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Nil.

5.2. Public Question Time

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6. Confirmation of Minutes

6.1. Audit and Risk Management Committee Meeting held on 28 November 2024

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Minutes of the Audit and Risk Management Committee Meeting held 28 November 2024 are attached as Attachment 6.1(1).

**EXECUTIVE RECOMMENDATION**

**That the Minutes from the Audit and Risk Management Committee Meeting held 28 November 2024 be confirmed as a true and accurate record.**

## 7. Reports of Officers

### 7.1. Director Finance and Corporate

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#### 7.1. 2024 COMPLIANCE AUDIT RETURN

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##### Report Details:

**Prepared by:** Acting Manager Corporate Services

**Manager:** Loren Clifford, Acting Director Finance and Corporate

**File Reference:** CNL 31

**Voting Requirement:** Simple Majority

**Attachment(s):**

7.1(1) 2024 Compliance Audit Return

#### Executive Recommendation

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**That the Audit and Risk Management Committee:**

- 1. Endorse the adoption of the 2024 Compliance Audit Return for the period 1 January 2024 to 31 December 2024 (Attachment 7.1(1)); and**
- 2. Endorse the certification of the 2024 Compliance Audit Return by the Shire President and Chief Executive Officer prior to submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2025.**

#### Strategic Alignment

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

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

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

**Item:** 12.1.2 - Provide and deliver an Internal Audit Program.

#### Executive Summary

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Local governments are required to carry out a compliance audit for the period 1 January to 31 December each year in accordance with the *Local Government (Audit) Regulations 1996*, regulation 14.

The 2024 Compliance Audit Return (CAR) was conducted by staff for the period 1 January to 31 December 2024 within the scope and in the format provided by the Department of Local Government, Sport and Cultural Industries (DLGSC). After reviewing the audit findings, the 2024 CAR contains a compliance response for the Shire of 87 out of 94 compliance items (92.5%), with a non-compliance response for 7 items (7.5%). All compliance questions and responses are presented in [Attachment 7.1\(1\)](#).

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## Background

Local governments are required to conduct an annual assessment of their compliance with key components of the *Local Government Act 1995* (the Act) and subsidiary legislation. After carrying out a compliance audit, a return is to be prepared in the form approved by the Minister for Local Government. DLGSC manage this process and provide a set of legislative compliance questions to report on.

## Risk Management

| Risk:             | Likelihood:   | Consequence: | Risk Rating: |
|-------------------|---|--------------|--------------|
| Compliance        | Unlikely  | Moderate     | Moderate (6) |
| Risk Description: | Failure to complete the 2024 CAR legislative process by the due date. |              |              |
| Mitigation:       | Adopt the Executive Recommendation to this report.                    |              |              |

## Financial Implications

Nil.

## Policy Compliance

Nil.

## Statutory Compliance

The *Local Government (Audit) Regulations 1996* details the compliance audit requirements for local governments.

Regulations 14 and 15 require the CAR to be reviewed by the Shire's Audit and Risk Management Committee, with the results reported and presented to Council for adoption. Following this, the CAR requires certification by the Shire President and Chief Executive Officer and lodgment along with relevant documentation to DLGSC by 31 March 2025.

The meeting Minutes and recommendation to Council from the Audit and Risk Management Committee is considered to constitute the report referred to in the legislation.

Following presentation to Council, a certified copy of the 2024 CAR, along with an extract of the minutes of the meeting at which the CAR was adopted by Council, will be submitted to DLGSC as required by 31 March 2025.

## Consultation

An internal review of the compliance audit requirements for the 2024 CAR were assessed by Shire Management. The combined responses are detailed in [Attachment 7.1\(1\)](#).

## Officer Comment

The 2024 CAR contained 94 questions grouped in relation to various legislative compliance areas.

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The result of the 2024 CAR was a positive compliance response (or not applicable response) to 87 of these requirements, with 7 non-compliance responses. The responses for each non-compliance question are detailed below and contained in [Attachment 7.1\(1\)](#).

| Compliance Area               | Question  | Non-Compliance Response   |
|-------------------------------|---|---|
| <b>Disclosure of Interest</b> | Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?  | <p>One (1) Primary Return was not received by the required due date from an Elected Member (relevant person). The CEO acted on this non-compliance as specified in the relevant legislation.</p> <p>The Shire provides training to Elected Members, which includes an overview of the statutory environment relating to declarations of interest and clarification of the personal responsibilities of Elected Members to comply with their legislative obligations.</p> <p>Further to this, compliance management software specifically designed for local governments is being implemented to improve processes and manage compliance requirements.</p> |
| <b>Disposal of Property</b>   | Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the <i>Local Government Act 1995</i> (unless section 3.58(5) applies)?                     | <p>Disposal of aged assets, comprising one plant item and playground equipment, did not meet all requirements.</p> <p>As a result, staff have reviewed and updated processes, with additional plans for improving procurement and disposal compliance.</p>  |
| <b>Disposal of Property</b>   | Where the local government disposed of property under section 3.58(3) of the <i>Local Government Act 1995</i> , did it provide details, as prescribed by section 3.58(4) of the Act, in the required local public notice for each disposal of property? | <p>Disposal of aged assets, comprising one plant item and playground equipment, did not meet all requirements.</p> <p>As a result, staff have reviewed and updated processes, with additional plans for improving procurement and disposal compliance.</p>  |
| <b>Elections</b>              | Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the <i>Local Government (Elections) Regulations 1997</i> ?                                  | <p>An Electoral Gift Register was not published on the Shire website.</p> <p>No 'Disclosure of Gifts' forms were received for the Ordinary Local Government Election held during 2023.</p>  |

|                           |  |   |
|---------------------------|--|---|
|                           |  | <p>An Electoral Gift Register will be published in for the 2025 Ordinary Local Government Election, even if no disclosures are made.</p> <p>Compliance management software specifically designed for local governments is being implemented to improve processes and manage compliance requirements.</p>                                |
| <b>Optional Questions</b> | <p>Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the <i>Local Government (Financial Management) Regulations 1996</i> regulations 5(2)(c) within the three years prior to 31 December 2024? If yes, please provide the date of council's resolution to accept the report.</p>                                     | <p>The review was undertaken by 31 December 2024.</p> <p>However, the report will be provided to the Audit and Risk Management Committee and Council in March 2025.</p> <p>Compliance management software specifically designed for local governments is being implemented to improve processes and manage compliance requirements.</p> |
| <b>Optional Questions</b> | <p>Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with <i>Local Government (Audit) Regulations 1996</i> regulation 17 within the three financial years prior to 31 December 2024? If yes, please provide date of council's resolution to accept the report.</p> | <p>The review was undertaken by 31 December 2024.</p> <p>The report will be provided to the ARMC and Council in March 2025.</p> <p>Compliance management software specifically designed for local governments is being implemented to improve processes and manage compliance requirements.</p>   |
| <b>Optional Questions</b> | <p>By 30 September 2024, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2024?</p>  | <p>The Shire applied for an extension of time from the Minister for Local Government. The granted extension date of 31 October 2024 was complied with.</p>  |



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## 7.2. Review Of Financial Management, Risk Management, Legislative Compliance and Internal Controls

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### Report Details:

**Prepared by:** Acting Director Finance and Corporate, Loren Clifford

**Manager:** Chief Executive Officer, Nick O'Connor

**File Reference:** FNC 02

**Voting Requirement:** Simple Majority

### Attachment(s):

7.2(1) Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls – Summary Report

7.2(2) Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls – Detailed Report (confidential)

### Executive Recommendation

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That the Audit and Risk Management Committee:

1. Note the completion of the review of the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with *Local Government (Audit) Regulations 1996* regulation 17.
2. Note the completion of the review of the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the *Local Government (Financial Management) Regulations 1996* regulations 5(2) (c).
3. Receive the attached report by the Chief Executive Officer detailing the results of the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls; and
4. Report to the Council the results of the Chief Executive Officer's report by providing a copy of the finalised Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls.

### Strategic Alignment

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

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

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

**Item:** 12.1.2 - Provide and deliver an Internal Audit Program.

## Executive Summary

The Audit and Risk Management Committee is requested to note the completion and receive the Chief Executive Officer's report detailing the results of the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls.

The Committee is requested to report to the Council the results received by providing a copy of the finalised Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls.

## Background

During 2024, the shire requested quotes for appropriate consultants to assist the Chief Executive Officer to perform reviews required by legislation relating to the appropriateness and effectiveness of financial management, risk management, legislative compliance systems and processes as required by legislation. Moore Australia (WA) were engaged to assist with this service and attended the shire from 9-11 December 2024 to perform the required fieldwork and prepare a report to assist the Chief Executive Officer in reporting the results of the reviews performed. The review and associated consulting and advisory services were finalised in February 2025 ([Attachment 7.2\(1\)](#)) and [Attachment 7.2\(2\)](#).

## Risk Management

| Risk:             | Likelihood:  | Consequence: | Risk Rating: |
|-------------------|--|--------------|--------------|
| Compliance        | Likely   | Minor        | Moderate (8) |
| Risk Description: | <ul style="list-style-type: none"> <li>Non-compliance with <i>Local Government (Audit) Regulations 1996</i> regulation 17 and <i>Local Government (Financial Management) Regulations 1996</i> regulations 5(2) (c).</li> <li>Inadequate Safety and Security Practices: Non-compliance with WHS regulations.</li> <li>Providing Inaccurate Advice/Information: Legal implications of providing incorrect advice.</li> <li>Inadequate Supplier/Contract Management: Non-compliance with contractual obligations</li> </ul> |              |              |
| Risk:             | Likelihood:  | Consequence: | Risk Rating: |
| Health            | Likely   | Major        | High (16)    |
| Risk Description: | <ul style="list-style-type: none"> <li>Inadequate Safety and Security Practices: Non-compliance with WHS regulations, unsafe workplace conditions, inadequate emergency preparedness.</li> <li>External Theft and Fraud: Physical security risks that could endanger staff.</li> <li>Misconduct: Actions that could compromise the safety of employees and the public.</li> <li></li> </ul>  |              |              |
| Risk:             | Likelihood:  | Consequence: | Risk Rating: |
| Financial Impact  | Likely   | Minor        | Moderate (8) |

|                      |   |              |              |
|----------------------|---|--------------|--------------|
| Risk Description:    | <ul style="list-style-type: none"> <li>• External Theft and Fraud: Financial fraud, theft of funds, and cyber-attacks.</li> <li>• Inadequate Project/Change Management: Cost overruns and budget constraints.</li> <li>• Errors, Omissions, and Delays: Financial losses due to mistakes and delays.</li> <li>• Inadequate Supplier/Contract Management: Financial instability of suppliers affecting costs.</li> <li>• Failure to Fulfil Statutory, Regulatory, or Compliance Requirements: Fines and penalties for non-compliance.</li> </ul> |              |              |
| Risk:                | Likelihood:   | Consequence: | Risk Rating: |
| Service Interruption | Likely  | Moderate     | High (12)    |
| Risk Description:    | <ul style="list-style-type: none"> <li>• Business and Community Disruption: Natural disasters, weather events, and vandalism causing disruptions.</li> <li>• Failure of IT and/or Communication Systems and Infrastructure: IT system failures, power outages, and communication breakdowns.</li> <li>• Inadequate Asset Sustainability Practices: Failure or reduction in service of infrastructure assets.</li> <li>• Inadequate Document Management Processes: Delays in accessing necessary documentation.</li> </ul>                       |              |              |
| Risk:                | Likelihood:   | Consequence: | Risk Rating: |
| Property             | Possible  | Minor        | Moderate (6) |
| Risk Description:    | <ul style="list-style-type: none"> <li>• Business and Community Disruption: Damage to buildings, property, and equipment.</li> <li>• Inadequate Asset Sustainability Practices: Poor maintenance and management of assets.</li> <li>• External Theft and Fraud: Theft or damage to physical assets.</li> <li>• Inadequate Environmental Management: Environmental factors causing property damage.</li> </ul>   |              |              |
| Risk:                | Likelihood:   | Consequence: | Risk Rating: |
| Reputational         | Likely  | Minor        | Moderate (8) |
| Risk Description:    | <ul style="list-style-type: none"> <li>• Inadequate Engagement Practices: Poor community and stakeholder engagement.</li> <li>• Providing Inaccurate Advice/Information: Damage to reputation from incorrect advice.</li> <li>• Misconduct: Reputation damage from unethical behavior.</li> <li>• Inadequate Environmental Management: Negative public perception due to poor environmental practices.</li> </ul>   |              |              |
| Risk:                | Likelihood:   | Consequence: | Risk Rating: |
| Environment          | Possible  | Minor        | Moderate (6) |
| Risk Description:    | <ul style="list-style-type: none"> <li>• Inadequate Environmental Management: Pollution, waste management issues, and biodiversity loss.</li> </ul>   |              |              |

|            |   |
|------------|---|
|            | <ul style="list-style-type: none"> <li>• Business and Community Disruption: Natural disasters impacting the environment.</li> <li>• Inadequate Asset Sustainability Practices: Environmental wear and tear on assets.</li> <li>• Failure to Fulfil Statutory, Regulatory, or Compliance Requirements: Non-compliance with environmental regulations.</li> </ul> |
| Mitigation | Regular reviews of the shire's risk management, internal controls, and financial management systems, as per the <i>Local Government (Audit) Regulations 1996</i> and <i>Local Government (Financial Management) Regulations 1996</i> , ensure continuous improvement, accountability, compliance, and informed decision-making.                                 |

### Financial Implications

Provision is included in the 2024/25 Adopted Budget for Moore Australia WA to assist the Chief Executive Officer with undertaking the required review appropriateness and effectiveness of financial management, risk management, legislative compliance systems and processes.

### Policy Compliance

#### ***EXE/CP- 6-Organisational Risk Management***

The Risk Management Policy outlines the shire's commitment and approach to managing risks impacting on day-to-day operations.

### Statutory Compliance

The CEO is required by the *Local Government (Audit) Regulations 1996* regulation 17 to review the appropriateness and effectiveness of the shire's risk management, internal controls and legislative compliance systems and procedures every three years. A review of financial management systems to assess the appropriateness and effectiveness of these systems and procedures, is also required by *Local Government (Financial Management) Regulations 1996*, regulation 5(2)(c) every three years. The results of the risk management, legislative compliance and internal controls review are to be reported by the Chief Executive Officer to the Audit and Risk Management Committee. The Audit and Risk Management Committee is required to review the Chief Executive Officer's report and on-report to the Council. The report from the Audit and Risk Management Committee to the Council is required to have attached a copy of the Chief Executive Officer's initial report to the Audit & Risk Committee.

### Consultation

Auditors sought input from employees across different sections on the topics covered in [Attachment 7.2\(1\)](#) and [Attachment 7.2\(2\)](#).

## Officer Comment

The attached report ([Attachment 7.2\(2\)](#)) includes details of matters noted during the review, as well as improvements to be considered by the shire, providing a demonstrated benchmark. Comments from the executive team in response to the findings will be presented to the Council in a workshop forum. Future status reports will be presented to the Audit and Risk Management committee outlining the improvements that are implemented and completed by responsible officers.

The following table outlines the risk areas that were thoroughly examined, noting if improvements have been recommended within the report.

| Risk Area                                  |   | Improvements Noted |    |
|--|---|--------------------|----|
|  |   | Yes                | No |
| <b>Financial Management Systems Review</b> |   |                    |    |
|  | Bank Reconciliation and Petty Cash management   | X                  |    |
|  | Trust Funds   |                    | X  |
|  | Receipts and Receivables  | X                  |    |
|  | Rates   | X                  |    |
|  | Purchases, payments and payables (including purchase orders)                            | X                  |    |
|  | Payroll   | X                  |    |
|  | Transaction Card Procedures   | X                  |    |
|  | Fixed Assets (including depreciation, acquisition, and disposal of property)            | X                  |    |
|  | Cost and Administration allocation  | X                  |    |
|  | Financial reports controls  | X                  |    |
|  | Budget and Budget Review  |                    | X  |
|  | Borrowings  | X                  |    |
|  | Inventory   | X                  |    |
| <b>Council Policies</b>                    |   |                    |    |
|  | Ancillary Accommodation - Agricultural Rural Small Holdings and Rural Residential Zones |                    | X  |
|  | Animal husbandry – Intensive  |                    | X  |
|  | Attendance at Events and Functions  | X                  |    |
|  | Balingup Village Centre - Special Character Area  |                    | X  |
|  | Building Insurance  | X                  |    |
|  | Caretaker   |                    | X  |
|  | Commercial Lease  | X                  |    |
|  | Commercial Vehicle Parking  |                    | X  |
|  | Communications and social media   |                    | X  |
|  | Community Engagement Framework  |                    | X  |
|  | Community Grants and Donations  |                    | X  |
|  | Community Townscape Activities  |                    | X  |
|  | Council Member Induction, Training and Professional Development                         | X                  |    |
|  | Credit Card   | X                  |    |
|  | Debt  | X                  |    |

| Risk Area    |  | Improvements Noted |    |
|--------------|--|--------------------|----|
|              |  | Yes                | No |
|              | Document Execution and Application of the Common Seal                            | X                  |    |
|              | Elected Members Allowances and Entitlements                                      | X                  |    |
|              | Fireworks Event  | X                  |    |
|              | Gratuity   |                    | X  |
|              | Group Valuation Policy - Rating Identical Ownership                              |                    | X  |
|              | Honorary Freeman Shire of Donnybrook Balingup                                    |                    | X  |
|              | Industrial and Commercial Development Control                                    |                    | X  |
|              | Infrastructure Asset Management  | X                  |    |
|              | Investments  | X                  |    |
|              | Land Resumption Compensation   | X                  |    |
|              | Legal Representation for Elected Members and Employees                           | X                  |    |
|              | Live Streaming and Recording of Council Meetings                                 | X                  |    |
|              | Memorials and Public Art   |                    | X  |
|              | Organisational Risk Management   | X                  |    |
|              | Outbuilding Control  |                    | X  |
|              | Permits for Road Verge Burning   | X                  |    |
|              | Policy Framework   |                    | X  |
|              | Private tree Plantations/Agroforestry  |                    | X  |
|              | Property Management  |                    | X  |
|              | Purchasing   | X                  |    |
|              | Records Management   | X                  |    |
|              | Reginal Price Preference   |                    | X  |
|              | Related Party Disclosure   | X                  |    |
|              | Relocation and Use of Second-hand Dwellings                                      |                    | X  |
|              | Residential Development Guidelines   |                    | X  |
|              | Road Closure   |                    | X  |
|              | Road Use Approval for Restricted Access Vehicles (RAVs) on Councils Road Network | X                  |    |
|              | Rural Verge Management   |                    | X  |
|              | Signage/Advertisement  |                    | X  |
|              | Stocking Rates   |                    | X  |
|              | Tourism in Donnybrook Balingup   |                    | X  |
|              | Transportable Structures   |                    | X  |
|              | Urban Verge Management   |                    | X  |
|              | Welcome to and Acknowledgement of Country  |                    | X  |
|              | Work Health and Safety   |                    | X  |
| <b>Plans</b> |  |                    |    |
|              | Strategic Community Plan   |                    | X  |
|              | Council Plan   |                    | X  |
|              | Long Term Financial Plan   |                    | X  |
|              | Asset Management Plan (Consolidated)   |                    | X  |

| Risk Area                                  |  | Improvements Noted |    |
|--|--|--------------------|----|
|  |  | Yes                | No |
|  | Asset Management Plan Parks and Reserves                   |                    | X  |
|  | Asset Management Plan Buildings                            |                    | X  |
|  | Asset Management Plan Vehicles                             |                    | X  |
|  | Asset Management Plan Roads and Transport Infrastructure   |                    | X  |
|  | Reserve Fund Plan  |                    | X  |
|  | Borrowings Plan  |                    | X  |
|  | Rating Objectives Strategy                                 |                    | X  |
|  | Workforce Plan   |                    | X  |
|  | Code of Conduct Elected Members, Committees and Candidates |                    | X  |
|  | Code of Conduct Staff, Volunteers                          |                    | X  |
|  | Incident Management and Business Continuity Response Plan  | X                  |    |
|  | Facility Emergency Plan                                    |                    | X  |
|  | Disaster Management Recovery Plan                          |                    | X  |
|  | Annual Budget  |                    | X  |
|  | Record Keeping Plan  | X                  |    |
|  | Annual Report  | X                  |    |
| <b>Strategic and Operational Registers</b> |  |                    |    |
|  | Caravan Park and Camping Grounds Register                  |                    | X  |
|  | Complaints Register  | X                  |    |
|  | Completed Development Application Register                 | X                  |    |
|  | Councillor Training Register                               |                    | X  |
|  | Credit Card Register                                       |                    | X  |
|  | Declaration of Gifts and Travel Contributions Register     |                    | X  |
|  | Delegations Register                                       | X                  |    |
|  | Draft Risk Register  | X                  |    |
|  | Financial Interest Register                                | X                  |    |
|  | Food Business Register                                     |                    | X  |
|  | Grant Register   |                    | X  |
|  | Insurance Claims and Litigation Register                   |                    | X  |
|  | Lease Register   |                    | X  |
|  | Lodging House Register                                     |                    | X  |
|  | Pool Register  | X                  |    |
|  | Portable and Attractive Items Register                     | X                  |    |
|  | Register of Investments                                    |                    | X  |
|  | Register of Primary and Annual Returns                     | X                  |    |
|  | Tender Register  |                    | X  |

### 7.3. Audit and Risk Management Committee Charter Review

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#### Report Details:

**Prepared by:** Nick O'Connor, Chief Executive Officer

**Manager:** Nick O'Connor, Chief Executive Officer

**File Reference:** FNC 02A

**Voting Requirement:** Simple Majority

**Attachment(s):**

7.3(1) Report-26\_Western-Australian-Public-Sector-Audit-Committees—Better-Practice-Guide

#### Executive Recommendation

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**That the Audit and Risk Management Committee notes staff are currently reviewing the Audit and Risk Management Committee Charter to ensure compliance with recent amendments to *the Local Government Act 1995* and alignment with the OAG Western Australian Public Sector Audit Committees Better Practice Guide.**

#### Strategic Alignment

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

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

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

#### Executive Summary

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The Audit and Risk Management Committee (ARMC) is requested to note the work currently being undertaken to review the Committee Charter to ensure compliance with recent amendments to the *Local Government Act 1995*. As part of the review, staff are also ensuring the revised charter aligns with the OAG's Western Australian Public Sector Audit Committees Better Practice Guide.

#### Background

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Under the WA State Government's Local Government Reforms, Audit committees will be revised as audit, risk and improvement committees (ARICs). ARICs must have an independent presiding member to ensure a level of neutrality and impartial oversight in chairing these meetings. An independent presiding member must be a person who is not a council member of a local government or an employee of the local government. If a deputy presiding member is appointed, they must also be independent. The introduction of an independent presiding member provides an opportunity for increased community confidence in a local government's financial and risk management. Local government operations may also benefit through appointing an independent chair with risk and financial management expertise that may otherwise be unavailable. This reform reflects modern governance practices in State Government authorities and agencies as well as private corporations. In

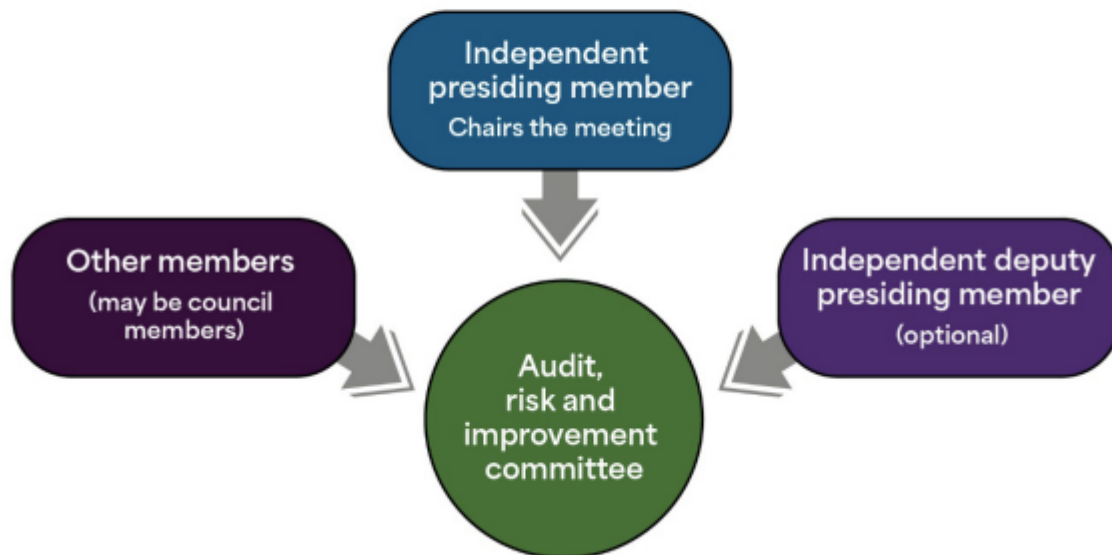


relation to the current Act, an audit committee is required to be established comprising 3 or more persons appointed by absolute majority by a local government. Most of the members must be council members. The CEO or a local government employee cannot be a member.

The OAG encourages public sector entities (including local governments) to utilise its Western Australian Public Sector Audit Committees Better Practice Guide. The purpose of the guide is to provide better practice principles and guidance to accountable authorities, audit committee members and senior managers with responsibility for audit committee activities. The guide provides a number of templates and precedent documents to aide consistency in approach, governance and operation of audit committees.

### Audit, risk and improvement committee model

The new audit, risk and improvement committee will comprise the following roles, with a total of 3 or more members.



### Risk Management

| Risk:             | Likelihood:  | Consequence: | Risk Rating: |
|-------------------|--|--------------|--------------|
| Compliance        | Almost Certain   | Major        | High (12)    |
| Risk Description: | Legislature breach as a result of not amending the Committee Charter as required by recent changes to the Local Government Act 1995. |              |              |
| Mitigation:       | Amend Committee Charter  |              |              |

### Financial Implications

Nil.

## Policy Compliance

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Nil.

## Statutory Compliance

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### *Local Government Act 1995*

Schedule 9.3 — Transitional provisions

69 (2) A local government must, in accordance with new Part 7 Division 1A, establish its audit, risk and improvement committee no later than 6 months after amendment day.

(3) On and after amendment day, until the audit, risk and improvement committee is established

(a) the local government's existing audit committee continues in place in accordance with old Part 7 Division 1A; and

(b) the local government may, as and when required, appoint members to the existing audit committee in accordance with old Part 7 Division 1A; and

(c) the existing audit committee's functions are those of the audit, risk and improvement committee.

## Consultation

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- Discussion with Shire President
- Discussions between CEO, A/DFC and Governance Staff
- Review of Local Government Act transitional provision
- CEO attendance at WALGA Local Government Act Professional Development Course

## Officer Comment

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In late 2024, staff commenced a review of the ARMC Charter with a view to recommending a number of changes to better align the Committee's governance with the OAG Western Australian Public Sector Audit Committees Better Practice Guide. Subsequent to the preliminary review, details of legislative amendments were made available through the Local Government Reform process. A new draft revised committee Charter is being developed to ensure legislative compliance and alignment with the OAG better practice guideline.

It is anticipated the revised Charter will be presented to the June ARMC meeting.

#### 7.4. Quarterly Audit Findings Progress Report (October 24 – February 25)

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##### 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):

7.4(1) Audit Findings Progress Report (1 October 24 – 28 February 25)

#### Executive Recommendation

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**That the Audit and Risk Management Committee:**

1. **Notes the update provided in Audit Findings Progress Report for the period covering 1 October 2024 – 28 February 2025** Attachment 7.4(1).

#### Strategic Alignment

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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

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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 October 2024 – February 2025.

#### Background

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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 7.4\(1\)](#) were reviewed by key responsible officers, providing an Administration Update, and Status Update.

## Officer Comment

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Regular reporting on progress and actions taken in response to audit findings to the Audit and Risk Management Committee is crucial for the Shire. This practice ensures transparency and accountability, demonstrating a commitment to addressing identified issues and improving governance. By keeping the committee informed, the Shire can receive timely feedback and guidance, which helps in mitigating risks and enhancing operational efficiency. Additionally, the regular reporting fosters a culture of continuous improvement and builds public trust, as the community can see the Shire is proactive in managing resources responsibly and effectively addressing any shortcomings.

Quarterly reporting will occur if there are findings to report on, covering the five audit areas:

1. financial audits,
2. financial Management Review,
3. compliance audit,
4. audit Regulation 17 Review, and
5. internal audits.

The ARMC are requested to note the update provided in [Attachment 7.4\(1\)](#).

## 7.5. Risk Management Report/Update

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### Report Details:

**Prepared by:** Loren Clifford, Acting Director Finance and Corporate

**Manager:** Nick O'Connor, Chief Executive Officer

**File Reference:** FNC 02A

**Voting Requirement:** Choose an item.

**Attachment(s):**

### Officer Comment

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This report has not been provided due to other organisational priorities and resource constraints

## 7.6 CEO update to Committee

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### 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):**

Nil.

### Executive Recommendation:

**That the Committee notes the Chief Executive Officer's update.**

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### Officer Comment

The Chief Executive Officer will provide the Committee with a verbal update on a number of organisational matters.

8. Meetings Closed to the Public

8.1. Matters for which the Meeting may be closed

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Nil.

8.2. Public reading of Resolutions that may be made public

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Nil.

9. Closure

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