



# Audit, Risk and Improvement Committee

Minutes  
Wednesday 25 February

Gary Clark  
Acting Chief Executive Officer

## Acknowledgement of Country

We wish to acknowledge the traditional custodians of the land we are meeting on, the Wadandi people. We wish to acknowledge and respect their continuing connection to the land, waters and community.

We pay our respects to all members of the Aboriginal communities and their culture; and to Elders past and present, their descendants who are with us today, and those who will follow in their footsteps.

## Our Vision

*A lifestyle of choice; connecting community, culture and country.*

## Our Values



### H Honesty

We are respectful in all that we do, and all interactions we have, whilst being inclusive and mindful of differences.



### E Empathy

We are kind and show understanding of peoples circumstances, perspectives and differences.



### A Accountability

We are transparent in all that we do, and stay true to our word by taking responsibility for our actions.



### R Respect

We are respectful in all that we do, and all interactions we have, whilst being inclusive and mindful of differences.



### T Teamwork

We are cooperative, collaborative and united while working towards common goals of our Shire.



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## 1. Declaration of Opening/Announcement of Visitors

The Presiding Member opened the meeting at 3:01pm and made the following Acknowledgement of Country and statement:

*'We wish to acknowledge the traditional custodians of the land we are meeting on, the Wadandi people. We wish to acknowledge and respect their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their culture; and to Elders past and present, their descendants who are with us today, and those who will follow in their footsteps.'*

## 2. Record of Attendance/Apologies/Leave of Absence (Previously Approved)

### PRESENT:

Councillor - Deputy Chair	R Mogg
Councillor	J Fergusson
Councillor	B Hastie
Acting Chief Executive Officer	G Clark
Director Community and Corporate	S Chamberlain
Director Infrastructure and Development	M Young
Manager Finance	A Mataboni
Manager Governance and Risk	R Trott
Accountant	J Kosareff
Council Support Officer (Minute Taker)	B Clayton

LEAVE OF ABSENCE: Nil

### APOLOGIES:

Councillor S Schiano

### ABSENT:

Councillor M Voyez

MEMBERS OF PUBLIC - Gallery: 0

## 3. Declarations of Interest

Nil

## 4. Public Question Time

Nil



## 5. Confirmation of Minutes

### 5.1. Confirmation of Minutes - 30 July 2025

#### Voting Requirements

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Simple Majority

**AC/2026/1 - Officer's Recommendation / Committee Decision - 5.1**

*Moved Cr Fergusson, Seconded Cr Hastie.*

**That the Minutes of the Confirmation of Minutes – 10 December 2025 be confirmed as a true and correct record.**

**Carried 3 / 0**

*For - Cr Fergusson, Cr Hastie, Cr Mogg.*

*Against – Nil.*



## 6. Reports

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### 6.1. Shire of Capel Regulation 17 and Regulation 5 Quarterly Audit Progress Report

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<b>Author</b>	Director Community and Corporate, Samantha Chamberlain
<b>Authorising Officer</b>	Acting Chief Executive Officer, Gary Clark Executive/Strategic
<b>Nature of the Decision</b>	Legislative Review
<b>Attachments</b>	None
<b>Confidential Status</b>	<i>This item is not a confidential matter.</i>

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#### Proposal

Receive the quarterly Regulation 17 and Regulation 5 Progress Report, noting the Officer's commentary on progress made to date in mitigating findings as detailed in the Regulation 17 and Regulation 5 Audit reports that were accepted by the Audit, Risk and Improvement Committee at its meeting on 10 December 2025.

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#### Officer's Recommendation

That the Audit and Risk and Improvement Committee receive and review the quarterly Regulation 17 and Regulation 5 Progress Report in accordance with Regulation 16 of the *Local Government (Audit) Regulations 1996*.

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#### Background

The Chief Executive Officer is required to review the appropriateness and effectiveness of the Local Governments systems and procedures in relation to risk management, internal controls and legislative compliance in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.

In 2018 a legislative amendment changed the requirement for these reviews to be completed no less than once every three financial years.

The Shire conducted Regulation 17 reviews in November 2014, April 2016, September 2018 and April 2022.

The Chief Executive Officer is also required to review the appropriateness and effectiveness of the Local Governments systems and procedures in relation to financial management in accordance with Regulation 5 of the *Local Government (Audit) Regulations 1996*.

The Shire conducted Regulation 5 reviews in April 2016 and March 2020.



Given the similarities in assessment requirements between the Regulation 17 and Regulation 5 reviews, Shire Officers resolved to undertake both reviews concurrently to optimise resources and reduce potential costs associated with engaging external auditors.

Australian Audit was appointed following a request for quotation process conducted through the WALGA Preferred Supplier Program. They commenced their engagement with the Shire in May 2025, working with Officers to gather the necessary information and documentation for their review.

On 18 June 2025, the auditors conducted an on-site visit at the Shire's administration office, holding meetings with staff from various departments to obtain further information. A site inspection of the Shire's depot was also carried out as part of the review process.

Draft reports were initially provided to the Shire to allow for management review and comment. This step ensures that any factual clarifications or additional context could be incorporated prior to finalisation. Following this process, the final reports were received by the Shire on 2 July 2025 and presented to the Audit, Risk, and Improvement Committee on 30 July 2025.

At this meeting on 30 July 2025 a foreshadowed motion was supported by a former Committee member, stating the following motion:

*"2. Requests the Chief Executive Officer prepare a management comment and proposed actions in response to the review reports for the Committees consideration at a future meeting."*

The findings, management comments and proposed actions for Regulation 5 and Regulation 17 reviews were resubmitted to the Committee for a secondary review in December 2025, given this information was already provided to the committee as an attachment to the main report presented on 30 July 2025.

Following the committee's receipt of the audit outcomes, this item aims to report the Shire's progress in mitigating the findings detailed from the audit process.

#### Previous Committee Decisions

AC/2025/9 - Officer's Recommendation / Committee Decision - 6.3

Moved Cr Mogg, Seconded Cr Fergusson.

That the Audit, Risk and Improvement Committee:

1. Re-receives the Regulation 17 Review Report from the Chief Executive Officer (as attached), in accordance with the Local Government (Audit) Regulations 1996, prepared by Australian Audit and notes the findings and Officer recommendations as detailed in the attached report.
2. Re-receives the Regulation 5 Review Report from the Chief Executive Officer, (as attached), in accordance with the Local Government (Financial Management) Regulations 1996, prepared by Australian Audit and notes the findings and Officer recommendations as detailed in the attached report.



Carried 5 / 0 For - Cr Fergusson, Cr Hastie, Cr Mogg, Cr Schiano and Cr Voyez.

Against - Nil

## **Decision Framework**

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### **Shire of Capel Strategic Community Plan 2025 - 2035**

Direction 4 - Deliver good leadership, governance and decision-making -

4.1 Effective and compliant governance.

4.2 Informed and transparent decision making.

### **Corporate Business Plan 2025 - 2029**

FIN 13 - Regulatory Review - Local Government (Financial Management) Regulations 5(2)(c) - review.

FIN 14 - **Financial Risk Review** - Local Government (Audit) Regulations 1996 – risk review.

GOV 8 - **Internal Audit** - Biannual review of all internal systems and processes for compliance, efficiency and effectiveness.

## **Statutory Framework**

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### **Local Framework**

There are no local frameworks relevant to this item.

### **State Framework**

#### ***Local Government (Audit) Regulations 1996***

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.

#### ***Local Government (Financial Management) Regulations 1996***

5. CEO's duties as to financial management

- (1) Efficient systems and procedures are to be established by the CEO of a local government –
  - (a) for the proper collection of all money owing to the local government; and



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

### Federal Framework

There are no federal frameworks relevant to this item.

### Policy Framework

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The following Shire Policies apply:

- There are no Council policies relevant to this item.

### Implications

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#### Risk Implications

Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Legislative Compliance  <b>Rating:</b> <span style="color: blue;">Low</span>	Unlikely	Moderate	Ensuring a review of the legislative requirements is conducted within a three-year period.
<b>Risk Description:</b> Failure to ensure the Shire meets their legislative requirements of ensuring Regulation 17 of the Local Government (Audit) Regulations and Regulation 5 of the Local Government (Financial Management) Regulations are met.			



<b>Risk 2</b> Reputation  <b>Rating: Medium</b>	Possible	Moderate	Ensuring that the findings and recommendations of both audit reports are addressed to ensure the Shire strives for best practice.
<b>Risk Description:</b> Ensuring public trust if the audits uncover significant risks in governance or financial management.			
<b>Opportunity:</b> Strong accountability in the governance and financial management of the Shire of Capel and ensuring continuous improvement.			

## Financial Implications

### Budget

The financial implications relevant to this item have already been considered through the Shire's Corporate Business Plan. There are funds allocated through the 2025/26 Annual Budget for the following items:

- Policy review – Stage 1 included an external review and gap analysis of the Shire's existing policies to identify areas of improvement and policies that could benefit the Shire for best practices or legislative requirements. Stage 2 will include the development and update of policies and workshops with the Council and relevant staff the budgeted value is \$60,000.
- Disaster Recovery Solution – RFQ completed, and solution selected at a cost of \$93,862.
- Cybersecurity budget expanded in 25/26 financial year from \$20,000 (24/25) to:
  - Operational -
    - \$45,000 for implementation of new systems and consultancy to address gaps found in external audit.
    - \$16,000 for application control software.
    - \$10,000 for external penetration test.
    - \$2,000 for (specific) cybersecurity training of ICT team.
    - \$12,000 for staff training in cyber awareness.
  - Corporate Business Plan (CBP) -
    - \$20,000 for external consulting including formal audit and gap analysis and report.

The remainder of the audit findings are reliant on Officers undertaking the actions required.

### Long Term

Long term financing implications relate to the proposed employment of an Internal Audit Officer, with this position already being forecast in the Shire's Workforce Planning. This action relates to finding number 5 in the Regulation 17 audit review table.

## Sustainability Implications

### Climate Change and Environmental



There are no relevant climate change and environmental implications relevant to this item.

### Social

Conducting Regulation 17 of the *Local Government (Audit) Regulations 1996* and Regulation 5 of the *Local Government (Financial Management) Regulations 1996* have several social implications.

These reviews promote transparency, accountability, and ethical conduct. They ensure that public funds are managed responsibly, and that policies are applied fairly and equitably. Overall, the reviews support good governance and provide an opportunity to improve organisational culture and community engagement.

### Economic

There are no relevant economic implications relevant to this item.

### Asset

There are no relevant asset implications relevant to this item. Although some of the security considerations have been noted for the management of minor and major plant.

## **Consultation/Engagement**

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### **External Consultation**

Consultation between Australian Audit and Officers of the Shire of Capel was undertaken throughout the audit process.

### **Internal Consultation**

Internal consultation was conducted between the Director of Community and Corporate, Governance and Risk Team, Finance Team, and Business and Technology Services Team.

Minor consultation occurred with departments relating to specific requests throughout the audit, such as Customer Service, Organisational Development, and operational staff (Works/Parks).



## Officer's Comment

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### Regulation 5 Review Process Supporting Information

Australian Audit undertook a review in accordance with Regulation 5 of the *Local Government (Financial Management) Regulations 1996*. The Chief Executive Officer is required to review the appropriateness and effectiveness of the Shire's financial management systems and procedures.

The final report included areas of improvement all categorised as **medium - low risks**, with additional Officer comments provided in the table below (Table 1.) which presents the following information:

1. Audit Finding.
2. Audit Recommendation.
3. Original Management Comment.
4. Quarterly Officer Update and Proposed Action Timeline.



<b>TABLE 1. Regulation 5 Audit Outcomes and Progress Update</b>				
<b>No'</b>	<b>Finding (in brief)</b>	<b>Recommendation</b>	<b>Management Comment</b>	<b>Officer Update – February 2026</b>
1.	<p><b>Procurement: Compliance with Policy.</b>  <b>Risk Rating – Medium</b></p> <p>During sample testing, we noted instances where sufficient information was not provided to confirm that an appropriate procurement method was followed in line with the Shire’s procurement policy.</p>	<p>The Shire needs to ensure that the Shire’s Purchasing Policy is complied with in all instances, and sufficient evidence is maintained to support compliance. The person responsible for approving the Purchase Order should check to ensure appropriate quotations were obtained and where this was deficient, that sufficient documentation is provided to justify the procurement. Also, all approving Officers are made aware that a purchase order should be raised and approved prior to expenditure being committed. We also recommend that to assist management in better identifying non-compliance or to seek better value for money options, should consider producing a “spend by supplier over \$50,000” report which can be produced from the Synergy accounting system and review this report on a regular basis to identify services that currently are being procured via individual quotations that may or should be procured via an RFQ or RFT process in order to</p>	<p>Regarding the sample testing, although Officers still follow the procurement policy for engagement with contractors, there has been no process implemented regarding the identification of services that the Shire continuously engage that could be done through an RFQ. The Shire notes this and will review the last 12 months for the development of potential service contracts for the 2025/26 financial year. Some areas are currently in the process of developing new service contract RFQ/RFT’s, including review panels for things such as building maintenance, plumbing etc. It is also important to note that some services might be engaged outside of an existing service agreement as the work being undertaken may not be captured in the scope of the contract. A report for “spend by supplier over \$50,000” is being undertaken and the implementation of supplier contracts will be actioned based on priority.</p>	<p>Mandated refresher training will be implemented across the organisation to support risk reduction. Since the management comment was provided, the Shire has investigated and generated a “spend by supplier” report. This report is being reviewed across departments to identify opportunities where frequently engaged services can be transitioned from ad-hoc purchasing to formal service agreements.</p> <p><b>Action – In progress and ongoing review required.</b></p>



		test the market and possibly obtain better value for money.		
2.	<p><b>Contract Management</b> <b>Risk Rating – Medium</b></p> <p>The Shire does not have adequate written procedures and guidelines for managing existing contracts. In the absence of formal written procedures and guidelines specifically for contract management, Shire staff responsible for managing contracts may not have a clear understanding of the contractual requirements and required approval processes resulting in possible inconsistent and unacceptable practices.</p>	<p>We recommend that the Shire establish formal contract management procedures/protocols/guidelines over the contract management process. The Shire should also develop a centralised contract register capturing key contract data to be used when managing its existing service contracts.</p>	<p>The Shire is currently planning the development of a master contract register; there is currently a decentralised approach for contract management. The Shire does have a vital record register that includes all contracts with information such as contract commencement and end dates; however, this does not include all tracking requirements, therefore a master register will be established. This is anticipated to be completed by October 2025. It is also noted that a contractor management framework is to be established. This has been included in the Corporate Business Plan for development for completion in the 2025/26 financial year. Currently staff utilise WALGA templates for contract management included within the Project Management Framework, portions such as variations are captured through delegation and the Procurement Management Procedure but not a standalone procedure which will be addressed in the framework.</p>	<p>The Shire has commenced discussions and investigations into the development of a new Contractor Management Framework. As part of this process, a Master Contract Register will also be established. The contents of this register may be subject to change, depending on the final requirements of the <i>Local Government Act 1995</i> reform regulations, which are yet to be finalised.</p> <p>A recruitment process is currently in progress for a Contracts and Leasing Officer, and this task will form part of their role and responsibility.</p> <p><b>Action in progress – finalised when Officer is in position to execute.</b></p>



<p>3.</p>	<p><b>Service Contracts</b>  <b>Risk Rating – Low</b></p> <p>Based on our analysis of Shire payments made in the period of 1/5/24 to 30/4/25, we noted that four suppliers are providing ongoing and continuous type services to the Shire and the Shire did not have formal service contracts in place with these suppliers.</p>	<p>We recommend that the Shire review its existing services for which a service contract should be in place and ensure that formal service contracts are developed, and the full details of the service contracts be included in the formal contracts register. Where a service contract is due to expire, these need to be brought to management attention and either a new service contract is determined or an extension to the service contract is provided.</p>	<p>As stated in item 2, the Shire is looking into this and identifying services that require a service contract.</p>	<p>The actions for service contracts are aligned with the actions required for procurement compliance.</p> <p><b>Action in progress – finalised when Officer in position to execute.</b></p>
<p>4.</p>	<p><b>Accounts Payable: Procedures</b>  <b>Risk Rating – Low</b></p> <p>While the Shire has documented procedures for its accounts payable function, these procedures do not adequately address process requirements to match invoices to the purchase orders (POs). Guidance on how to handle variances between the PO and the invoice values. This would include the % and \$ value variance that would be allowed to enable an invoice to be processed for payment without additional approval authorisation.</p>	<p>It is suggested that the Shire adopt both a % and a minimum \$ value variance and include this in the Shire’s accounts payable procedures.</p>	<p>The Accounts Payable procedures will be updated to include the requirement to match the invoice to the PO and to clarify the PO variation process which will align to the existing requirements within the delegation and Procurement Management Procedure.</p>	<p>Minor actions are required to update procedures.</p> <p><b>Action in progress – finalise by June 2026.</b></p>



<p>5.</p>	<p><b>Revenue Collection &amp; Cash Handling</b>  <b>Risk Rating - Low</b></p> <p>Check Fees &amp; Charges Input.</p>	<p>Following the adoption of the Fees &amp; Charges schedule by the Council, the Manager Finance enters general fees into Synergy, and the Rates Coordinator enters waste fees into Synergy. However, there is no independent check conducted to verify the accuracy and completeness of the data entered into the system.</p>	<p>The Fees &amp; Charges procedures will be updated to include an independent check of the data entered the System.</p>	<p>Minor actions are required to update procedures.</p> <p><b>Action in progress – finalise by June 2026.</b></p>
<p>6.</p>	<p><b>Revenue Collection &amp; Cash Handling: Debt Management Procedures Not Consistently Followed</b>  <b>Risk Rating - Low</b></p> <p>Although The Shire has documented debt management procedures in place, these are not being strictly followed in practice. Specifically: No collection action has been taken on some debts outstanding for more than 90 days. These were determined to be made up of small \$ value Swimming Pool inspection charges that normally are charged via the rates process, but the Shire have decided to charge via debtor invoices. These overdue accounts have not been referred to the external debt collection agency as</p>	<p>Should the Shire consider continuing this practice of collecting the annual swimming pool inspection fees via debtor invoices then we recommend that the Debtor management procedures be updated to reflect that such debts will not be collected via debt collection agencies but rather remain as unpaid debts until the debtor sells their property and collection is made at that point. Alternatively, we recommend that the Shire should consider collection of these small \$ value fees via the rates notices.</p>	<p>The Debt Management procedures will be updated to clarify the type of debt, ageing, and amount required to be referred to debt collection. The inclusion of outstanding debts on rates notices will be considered within the new ERP system, due to current constraints with the existing.</p>	<p>Minor updates to existing procedures are required. The Shire has limitations with the current ERP system in applying additional charges to rates notices; this issue has been identified for resolution through the implementation of the new ERP system.</p> <p><b>Action in progress – finalise by July 2027 – align to ERP implementation schedule for the Finance, Property and Rating Module.</b></p>



	<p>required by the procedures. Again, this we believe is due to the small \$ value of the amounts owing and that the Shire has decided to leave these debts outstanding and collect them when the debtor's property is sold. We believe these swimming pool inspection charges should be included as part of resident rates notice and therefore are collected as part of the annual rates notice rather than being collected via the raising of debtor invoices.</p>			
<p>7.</p>	<p><b>Revenue Collection &amp; Cash Handling</b>  <b>Risk Rating - Low</b></p> <p>There are currently no CCTV's installed at any of the Shire's cash collection locations. Cash collection locations include - Administration building front counter. Dalyellup Library. Capel Library and Boyanup Library. We discussed this matter with the Shire management and agree that due to the small \$ value of cash collected at these locations' CCTVs are</p>	<p>We recommend that the Shire ensure that the process been adopted for reporting cash count variations be included in the Shire's cash reconciliation procedure and should be reported on the daily cash reconciliation sheet.</p>	<p>The process for reporting cash count variations will be incorporated into the Shire's cash reconciliation procedures and included on the daily cash reconciliation sheet.</p>	<p>This procedure has been updated since the Management Comments, so no additional action is required.</p> <p><a href="#">Action completed.</a></p>



	<p>not required as duress alarms are installed. We did however note that the Shire's cash handling and reconciliation procedures did not cater for the process to be followed when the daily cash count reveals cash variations. Although as low \$ value cash is received, cash variations are negligible; the Shire should still ensure that they are reported on the daily cash reconciliation sheet.</p>			
<p>8.</p>	<p><b>Council Rates: Exempt Properties</b>  <a href="#">Risk Rating - Low</a></p> <p>The Shire does not have in place a process by which all its exempt rateable properties (charitable and/or religious purpose use) are subject to regular verification to ensure that current exempt properties such as religious and charitable type exempted properties continue to meet the exemption definition.</p>	<p>We recommend that the Shire should consider implementing a formal verification process in which all exempt property owners are required to confirm their exemption status at least every 2 years.</p>	<p>Regular verification is dependent on the type of claim for exemption and the use of the land. If the exemption is based on a certain project, then the project's end date will end the exemption. If the project is extended or the applicant disagrees with the removal of exemption, then they must reapply. There are time limits on these exemptions that can range from one year up to three years. If a property has no change in its original exemption purpose, then the exempt status is not changed. The Shire will examine the process to document the exemption process for each property at least every two years.</p>	<p>A written procedure will be developed that includes the different types of exemptions and the surrounding procedures.</p> <p><a href="#">Action in progress – finalise by September 2026.</a></p>



<p>9.</p>	<p><b>Asset Management: Security Over Major Mobile Assets</b> <i>Risk Rating - Low</i></p> <p>The Shire stores all its major mobile assets within the Works Depot. The Works Depot is adequately fenced, with flood lighting, and all vehicle keys are held within the locked depot building after hours in a lockable cabinet. All work related to minor equipment is also locked when not required and is secured within the Works Depot building.</p> <p>Although the level of security is satisfactory, the Works Depot does not have any CCTV coverage as an additional safeguard over its building, materials held inside, mobile plant and equipment and over its fuel dispenser. We understand that the Shire is in the process of investigating installing CCTV coverage over the Works Depot and is in the process of ensuring it can get internet coverage in that area.</p>	<p>The Shire should ensure CCTV coverage over the Works Depot is continually progressing as a priority.</p>	<p>The Shire is in the process of building the supporting infrastructure to enable this for future installation. It should be noted that the Shire is working on the Community Crime and Safety Prevention Plan due to be endorsed during FY2025/26, which will ensure a strategic approach is considered to antisocial behaviour. A CCTV policy will be developed after the Prevention Plan Development before any CCTV is installed. This will ensure that the Shire has a clear position on how it is managed and resourced.</p>	<p>Some initial infrastructure to support future CCTV installation has been established at the Shire's depot. A masterplan of the site is currently being developed which will inform any further implementation of CCTV related works.</p> <p><i>Action in progress – outcome pending the results from the Depot Master Planning project re. CCTV site locations etc.</i></p>
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<p>10.</p>	<p><b>System Access</b>  <b>Risk Rating - Low</b></p> <p>Read only or edit access held by each staff member for the Invoicing, Payroll, Rates, Accounts Payable and General Ledger systems. Unfortunately, Synergy is unable to provide adequate reporting and to provide lower-level access to staff who may require different levels of access to undertake their roles and responsibilities and as such some staff may have full access to these systems for which such access level is not required in line with them performing their roles &amp; responsibilities. The Synergy system access reports provided to us for the Creditors, Rates, Payroll and accounts payable and General Ledger showed a high number of staff having edit access to these systems.</p>	<p>We recommend that Shire management regularly review the level of access that has been provided to staff to ensure that such access, especially edit access, is only provide to those that require such level of access to fulfill their roles and responsibilities. All other access to staff not requiring such access should either be removed or changed from edit to view only access.</p>	<p>The current system is actively maintained by the ICT team to ensure that exiting users are restricted, and access control is maintained wherever required. Work is progressing to modernise the ERP system, ensuring these requirements are programmed into the new product.</p>	<p>This finding has been noted; there are challenges with the existing ERP system being Synergysoft. The ability of the new ERP system will mitigate this finding.</p> <p>Action in progress – finalise by July 2027 – align to ERP implementation schedule.</p>
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**Regulation 17 Review Supporting Information**

Australian Audit undertook a review in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996*. The Chief Executive Officer is required to review the appropriateness and effectiveness of the Shire’s Risk Management, Internal Controls and Legislative Compliance.

The final report included areas of improvement all categorised as **low risk**, with additional Officer comments provided in the table below (Table 2.) which presents the following:

1. Audit Finding.
2. Audit Recommendation.
3. Original Management Comment.
4. Quarterly Officer Update and Proposed Action Timeline.

<b>No'</b>	<b>Finding (in brief)</b>	<b>Recommendation</b>	<b>Management Comment</b>	<b>Officer Update – February 2026</b>
1.	<p><b>Risk Management: Operational Risk Register and Role of ARIC</b> Risk Rating – Low</p> <p>The Shire has established a Corporate Risk Register. However, the risks identified in the Corporate Risk Register appear to be more strategic in nature. There is currently no formal Operational Risk Register in place. Also, there is no evidence that the Shire has gone through a process of identifying, assessing and</p>	<p>The Shire should go through the process of identifying, assessing, and managing its operational risk. The operational risks identified should be captured in an operational risk register. The Shire should ensure that operational risks are subject to ongoing review and adequate management. Further, we recommend that the Audit, Risk and Improvement Committee’s Terms of Reference document should be updated to reflect their responsibility for monitoring the Shire’s risks and that a copy of the Shire’s risk registers, including evidence of the</p>	<p>There is a decentralised approach to operational risk management; some departments track their operational risks, but it is not managed across the business. This will be undertaken through the 2025/26 financial year with teams. The Corporate Risk Register will be reviewed in line with the development of operational risk management. The Audit, Risk, and Improvement Committee Terms of Reference will be reviewed to be completed by August 2025. A review of the standing item for the Corporate Risk Register report will be done in conjunction with this to ensure more</p>	<p>The Shire acknowledges the finding that operational risks are not being systematically identified, assessed, or monitored. While a Corporate Risk Register is currently in place, it primarily focuses on high-level risks and combines both strategic and operational elements.</p> <p>To address this finding, the Shire will undertake a review of its existing Risk Register Framework to clearly separate strategic and operational risks. Operational risk</p>



	<p>continually managing its operational risks, those risks arising from day-to-day services, processes, systems, staffing and compliance. Without a dedicated register and a formal assessment and management process, these risks may go unidentified or unmanaged, exposing the Shire to potential service disruptions, inefficiencies or compliance failures. Further, the terms of reference for the Audit, Risk and Improvement Committee (ARIC) do not clearly articulate the Committee's role in overseeing or monitoring the Shire's risk management activities.</p>	<p>Shire's progress of actions taken to minimise the Shire's risks be tabled at each Audit, Risk and Improvement Committee meeting to enable the Committee to be satisfied that the Shire identified risks are being managed. This should be a standing agenda item for each Audit, Risk, and Improvement Committee.</p>	<p>information is provided on mitigation and actions.</p>	<p>registers will be developed in consultation with relevant business units, and a formal process for regular identification, assessment, and monitoring of operational risks will be implemented.</p> <p><a href="#">Action in progress – finalise by December 2026.</a></p>
<p>2.</p>	<p><b>Risk Management: Testing of Business Continuity Plan and Business Systems Disaster Recovery Plan</b>  <a href="#">Risk Rating – Low</a></p> <p>A Business Continuity Plan and a Business Systems Disaster Recovery Plan is in place. The Business</p>	<p>We recommend that the Business Continuity Plan and the Business Systems Disaster Recovery Plan should be subjected to regular testing to ensure it can be effectively implemented should a disaster occur.</p>	<p>An annual review will be undertaken and reported back through the Audit, Risk, and Improvement Committee to ensure completion. A scenario testing will be conducted on both the Disaster Recovery Plan and Business Continuity Plan in August 2025.</p>	<p>Testing to be conducted and reported on.</p> <p><a href="#">Action in progress – finalise by December 2026.</a></p>



	<p>Continuity Plan was last reviewed in May 2023. The Business Systems Disaster Recovery Plan was last reviewed in Nov 2023. However, there has not been regular testing done of the Business Continuity Plan and the Business Systems Disaster Recovery Plan to ensure the plans are workable and effective.</p>			
<p>3.</p>	<p><b>Internal Controls: Policies and Procedures Risk Rating – Low</b></p> <p>The Shire currently maintains a range of policies; however, some have not been reviewed or updated since 2017. This raises concerns about their continued relevance and alignment with current legislation and operational practices. In addition to formal policies, the Shire uses a variety of procedural documents. However, many of these documents are undated, making it difficult to determine their currency or whether they have undergone recent review or revision.</p>	<p>We recommend that the Shire compile a list of all current policies and procedures, noting the date of last review (where available) and identifying any missing or undocumented processes. Review each document for alignment with current legislation and operational practices. The Shire should also consider adopting a rolling review cycle (e.g. every 2-3 years) to ensure that all policies and procedures are regularly evaluated and updated. As the Shire is in the process of replacing its Synergy system with Datacom, it is timely that all its operational procedures be subjected to review.</p>	<p>A full review of the Shire’s policies is being conducted for the 2025/26 financial year, including a gap analysis and legislative compliance review. The full review and adoption by the Council is intended to be completed by early 2026. Following on from this review an internal review of management procedures will be conducted to align with the updates of Council policies.</p>	<p>At the June 2025 Ordinary Meeting of Council, an item was presented seeking endorsement for a review of the Shire’s policies to be conducted by an external consultant.</p> <p><i>Action in progress - A Request for Quotation (RFQ) is being developed. Following the release of this document, all submissions will be reviewed, seeing a consultant appointed to commence the process as soon as possible. Project completion is estimated to be June / July 2026.</i></p>



<p>4.</p>	<p><b>IT General Control Environment</b>  <b>Risk Rating - Low</b></p> <p>Our review of the Shire’s IT general control environment identified the following - The level of procedure documentation covering IT operations is not satisfactory. IT has an ICT Master Plan in place, and this document seeks to capture all relevant IT information at Shire. However, this document is not complete. The IT Dept has only been fully staffed in the past two months. The Officers are currently focused on cleaning up procedures around the onboarding, offboarding, and internal movement processes. The current software register does not capture all the software used by Shire. The IT team was focused on gaining control of hardware assets before starting digital assets, so they have only picked up a small portion of the software within the business. A log of all incorrect login attempts and users whose passwords have been blocked is kept but not reviewed due to staffing</p>	<p>We recommend that the Shire work towards ensuring that IT related controls and procedures, as determined from our discussions with the Shire’s IT Manager, are addressed on an ongoing basis and that IT related procedures are developed as soon as possible.</p>	<p>There are several projects already planned for this 25/26 financial year to address parts of this recommendation. A cloud-based backup and disaster recovery solution replacement being the primary focus currently; this is expected to be in place by August 2025. Documentation was recognised as a focus for the ICT team last financial year, and staff time allocations have been made for this financial year. The ICT team having time to focus on documentation will bring improved focus, road mapping of future cybersecurity actions to align with international standards and documenting actions taken including scheduling for the team to review logs and maintain risk mitigations properly.</p>	<p>There are current solutions being implemented for disaster recovery management in ICT. There is also acknowledgment of improvement of documentation for processes and future road mapping.</p> <p>An observation was made in relation to staff computer login IDs. It is important to clarify that some of the accounts identified belong to Elected Members, who hold accounts with different access permissions. Other accounts fall within the standard six-month retention period following the cessation of employment, which allows continued access to relevant information if required. The remaining accounts are currently under review by the IT team.</p> <p>Action in progress - cloud-based backup and disaster recovery solution now complete.</p> <p>Development of documentation mapping the Shire’s ongoing cybersecurity</p>
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	<p>resource capability. The virtual machine backups are conducted hourly and kept on a NAS separate to the core storage. The NAS is located in the same physical location. In April, the Shire cancelled its Cloud-based DR service and is currently in RFQ for a new supplier to be selected. Backups are reviewed for success each week, but no formal testing is conducted. There are no formal policies for data leakage protection; however, USB ports are blocked, and their email filtering system checks for DLP. This is still relatively immature and is the current focus area for the technology team. The Boyanup, Capel, and Dalyellup library do not have UPS coverage. No scheduled review of web logs is conducted however the IT team are notified weekly of logs and critical notices are immediately emailed to all IT Officers. Systems are also logged for alerts (both hardware and software) in a visual manner at the IT desks. No written policy currently exists.</p>			<p>actions and measures is in progress and will continue as the Shire matures its capability in this area.</p>
5.	<p><b>Legislative Compliance</b> Risk Rating - Low</p>	<p>Consideration should be given to the implementation of a Legislative</p>	<p>The Shire has a Legislative Compliance Management Procedure, which was a</p>	<p>The Shire advised auditors of the existing Legislative</p>



	<p>Legislative matters are being continually complied with. However, the Shire does not use a compliance calendar nor other systems like Attain to manage and monitor legislative compliance. The Shire currently relies on the annual Compliance Audit Return (CAR) to gauge its compliance level against legislative requirements and the results of the 3 yearly Regulation 17 Review. The CAR, although it is an effective compliance monitor, reflects only a portion of all the legislative requirements that must be complied with and therefore does not provide complete legislative compliance assurance to the Shire.</p>	<p>Compliance policy which outlines the responsibility for compliance with legislative requirements and how such compliance is to be met. Consideration should also be given for the Shire to use a Compliance Calendar or Attain to monitor compliance. Alternatively, the Shire could develop various legislative compliance checklists to enable various areas within the Shire to undertake regular compliance self-assessment checks on an ongoing basis. We would suggest that these be undertaken regularly throughout the calendar year and be signed off attesting to compliance. These can be undertaken in conjunction with the annual Compliance Audit Return (CAR) and would complement the (CAR) process should the Shire not want to use a Compliance Calendar or Attain software packages.</p>	<p>Council Policy previously, however, identified to revoke and transferred to a Management Procedure. This was done due to the subject matter relating to the functions of the CEO under the Local Government Act. This Management Procedure is due for review, which will consider tracking and reporting requirements. This review will be completed during 2025/26. The Shire will investigate the Compliance Calendar module on Attain; however, the compliance calendar development may be better suited to be completed under the new ERP software suite, depending on the resource requirements for development.</p>	<p>Compliance Management Procedure; however, it was acknowledged that there is a gap in the absence of a formal compliance calendar. This will be explored through the Shire's current governance software.</p> <p>Additionally, the previous Regulation 17 Audit identified the need for an internal audit resource. This remains under consideration as part of future workforce planning. This position will support ongoing auditing functions and contribute to continuous improvement across the organisation.</p> <p><a href="#">Action in progress – Given the Shire's current use of the Attain software, Officers will review the effectiveness of the calendar component to consider transitioning to a compliance calendar on this platform. Review completion due December 2026.</a></p>
6.	<p><b>Legislative Compliance: Complaints Management</b> <a href="#">Risk Rating - Low</a></p>	<p>We recommend that the Shire assign a designated Officer or team to oversee the complaints</p>	<p>The Shire's complaint management processes will be reviewed to ensure clear procedures are in place, and a</p>	<p>Complaint management processes will also be reviewed and further</p>



<p>At present the Shire’s complaints process is a decentralised process without adequate oversight and reporting. There is no designated Officer or team responsible for overseeing the complaints process. As a result, there is limited accountability and follow-up to ensure that complaints are addressed promptly and effectively. Further, the Shire does not maintain a centralised complaints register. This makes it difficult to track complaints, monitor resolution progress, identify recurring issues, or generate reports for management.</p>	<p>process. This role should include registering complaints, coordinating investigations, ensuring timely responses, and following up on unresolved issues. The Shire should also develop complaints register to log all complaints, track their status, identify trends and ensure accountability. Relevant managers and staff should have controlled access to the register to monitor and update progress as needed. It will also be beneficial to provide monthly or quarterly reports to senior management, summarising the volume, type, and resolution status of complaints.</p>	<p>register will be developed and maintained by Governance. However, the management of complaints will need to be overseen by the relevant line manager, with oversight from Governance until sufficient resources are available. A register and processes will be developed by January 2026. It has previously been identified through Regulation 17 Audit’s that the Shire should have an Internal Auditing Officer, the complaint management processes can be considered as part of this role.</p>	<p>developed from January 2026 onwards. The recommendation to appoint a designated Officer or team to oversee complaints is noted; there are current resource constraints. A decentralised model is proposed, with overall oversight provided by the Governance team.</p> <p><a href="#">Action in progress – Complaint management process under review – finalise action and report on outcomes to ARIC due July 2026.</a></p>
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## Summary

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The progress reporting tables clearly identify the Shire's intention to mitigate all findings identified during the Regulation 17 and Regulation 5 reviews, albeit noting that all actions apart from 2 are deemed low risk for the organisation.

Commentary against some actions does rely on having access to sufficient resourcing and a sophisticated IT solution to improve workflow tracking and overall process capability. From our knowledge of the new ERP solution through Datacom, this software should remedy these related issues.

Internal auditing processes will continue to be outsourced in the medium term, seeing an Internal Audit Officer already forecast in the Shire's Workforce Planning.

Officers welcome the findings from the review and commit to improving the areas identified as swiftly as possible.

Quarterly progress reports will be presented to the Committee to outline the Shire's progress made to date.

## Voting Requirements

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Simple Majority.

<b>Officer's Recommendation – 6.1.</b>
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<b>AC/2026/2 - Officer's Recommendation - 6.1</b>
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*Moved Cr Fergusson, Seconded Cr Hastie.*

**That the Audit and Risk and Improvement Committee receive and review the quarterly Regulation 17 and Regulation 5 Progress Report in accordance with Regulation 16 of the Local Government (Audit) Regulations 1996.**

**Carried 3 / 0**

*For - Cr Fergusson, Cr Hastie and Cr Mogg.*

*Against - Nil.*



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## 6.2. Shire of Capel - Final Audit Outcomes for Year Ending 30 June 2025 Progress Report

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<b>Author</b>	Jonathan Kosareff, Accountant
<b>Authorising Officer</b>	Samantha Chamberlain, Director Community and Corporate
<b>Nature of the Decision</b>	Executive/Strategic Legislative
<b>Attachments</b>	None
<b>Confidential Status</b>	<i>This item is not a confidential matter.</i>

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### Proposal

Following the Committee's review of the final external audit findings for 2024/25, receive and review the Officer's quarterly progress report against each finding, noting the mitigating strategies which are detailed.

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### Officer's Recommendation

That the Audit, Risk and Improvement Committee receive and review the quarterly FY2024/25 external audit progress update as detailed in this report.

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### Background

Changes to the *Local Government Act 1995* enacted in 2005 required the Council to establish an Audit Committee. The delegation of powers and duties to the Audit Committee was agreed by the Council to accept responsibility for oversight of the financial affairs of the Shire of Capel.

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the local government's auditor, so the Council can be satisfied with the local government's performance in managing its financial affairs.

Local governments undergo an external financial audit annually, and auditors are appointed through the Office of the Auditor General (OAG).

The Shire of Capel's final Audit commenced in early 2025 for three days and was conducted by two Officers from AMD Chartered Accountants, being the appointed Auditors for the Shire.

### Audit Scope

The primary audit scope and objective is to express an opinion as to whether the Shire's general purpose financial report as a whole is free from material misstatements (whether due to fraud or error) and is prepared (in all material respects) in accordance with applicable Australian Accounting Standards, the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended).

The audit also reports on the following matters in accordance with Reg 10(3) of the *Local Government (Audit) Regulations 1996*:



- Significant adverse trends in the financial position or the financial management practices of the Shire.
- Non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law.
- Whether all required information and explanations were obtained by the auditor.
- Whether all audit procedures were satisfactorily completed in conducting the audit.

### **Audit Approach**

The audit process generally consists of three phases - planning, fieldwork, and completion.

The audit approach focuses on areas that represent a higher risk to the business. The auditor's methodology uses a risk-based approach to evaluate and, when appropriate, to test the effectiveness of internal controls with the expectation that a moderate level of reliance can be placed on the operating controls.

The most critical aspect of audit planning is the assessment of risk and consideration of where material misstatements could occur.

A combined assessment of inherent and control risk for significant accounts and the related financial statement of assertions will be made. This will establish a portfolio of audit procedures that are customised based on the Shire's significant accounts, critical areas, disclosures, and classes of transactions, as well as the assessment of risk, including the risk of fraud.

Audit procedures include both substantive tests of account details and tests of internal controls for significant account balances, transactions, and disclosures.

### **Previous Committee Decision**

AC/2025/10 - The Audit and Risk Committee:

1. Considered the final audit findings for the year ending 30 June 2025 and noted the Shire has received an Unqualified Opinion endorsing a clean audit outcome for the Shire.
2. Recommended the Council endorses the Final Audit Management Report for 2024/25.
3. Noted the Independent Auditor's Report and Annual Financial Report (AFR) will be included in the 2024/25 Annual Report.
4. Noted a 2024/25 Financial Audit Progress Report will become a standard agenda item and be presented at future Audit, Risk and Improvement Committee meetings until all actions are reported as 'complete'.

## Statutory Framework

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### State Framework

#### *Local Government Act 1995*

#### Division 5 – Annual reports and planning

##### 5.53. Annual reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain –
  - (a) a report from the mayor or president; and
  - (b) a report from the CEO; and
  - [(c), (d) *deleted*]
  - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
  - (f) the financial report for the financial year; and
  - (g) such information as may be prescribed in relation to the payments made to employees; and
  - (h) the auditor's report prepared under section 7.9(1) or 7.12 AD (1) for the financial year; and

#### Division 3 – Conduct of audit

##### 7.9. Audit to be conducted

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to –
  - (a) the mayor or president; and
  - (b) the CEO of the local government; and
  - (c) the Minister.

##### 7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.

#### *Local Government (Audit) Regulations 1996*

##### 16. Functions of audit committee

An audit committee has the following functions –

- (a) to guide and assist the local government in carrying out –
  - (i) its functions under Part 6 of the Act; and
- (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (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;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –
  - (i) regulation 17(1); and
- (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);



- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government –
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

## Decision Framework

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### Strategic Community Plan 2025 - 2035

Direction 4 - Deliver good leadership, governance, and decision-making:

4.1 Effective and compliant governance.

4.2 Informed and transparent decision making.

### Corporate Business Plan – 2025 - 2029

FIN 8 -Annual and Monthly Reporting Requirements – Statutory reporting of income and expenditures to the Council and regulatory authorities.

FIN 11 – Financial Auditing - Ensure financial systems remain compliant with all relevant legislation.

FIN 12 – Fair Valuation of Assets – Valuation of assets in accordance with AASB 13 Standard

## Policy Framework

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The following Shire Policies apply:

Policy 2.35 Legislative Compliance.

**Implications**

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**Risk Implications**

Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Financial <b>Rating: Medium</b>	Unlikely	Moderate	Ensure compliance with state legislation and Financial Management Regulations through contemporary financial control mechanisms and accurate financial reporting.
<b>Risk Description:</b> Failure to fulfil compliance requirements for both statutory and regulatory.			

**Financial Implications**

Budget

The cost of works associated with the 2024/25 external audit process is included within the 2024/25 Annual Budget and is a statutory requirement through the Office of the Auditor General WA.

Long Term

There are no long-term financial implications associated with this matter, as no assets are being created or additional costs to be accounted for.

**Sustainability Implications**

Constant improvement to the Shire’s internal systems and procedures is essential to the sound management of the financial governance framework. This aids consistent and equitable decision making, which is essential to create positive social, economic, and environmental impacts in the community.

**Consultation/Engagement**

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**External Consultation**

No external consultation was required for this item.

**Internal Consultation**

In preparation for this report, internal consultation has occurred with Manager Finance, Shire Accountant, Manager Strategic Governance and Risk and Coordinator Organisation Development.

**Officer’s Comment**

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The attached Final Management Letter identifies 2 new audit findings and 3 previous year (FY2023/24) audit findings.

An extract from the Management Letter details the findings as follows:

Table 1.

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Purchase Orders	No	✓			✓
2. Cash in Lieu of Public Open Space	No		✓		
3. Excessive Leave Balances	No		✓		✓
4. Documented Policies and Procedures	No			✓	✓
5. Employee Benefit Provisions	No			✓	

**Key to ratings**

The Ratings in this management letter are based on the audit team’s assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken.

Consideration is given to these potential adverse outcomes in the context of both quantitative impact, for example financial loss, and qualitative impact, being inefficiency, non-compliance, poor service to the public, or loss of public confidence.

The following ratings apply to the audit outcomes:

- **Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
- **Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- **Minor** - Those findings that are not of primary concern but still warrant action being taken.



## **Audit Outcomes**

### **1. PURCHASE ORDERS**

#### **Finding**

From our testing of 25 purchase orders, we noted:

- Two instances where the purchase order amount was less than the invoice amount;
- One instance where only one quote was obtained, instead of the two required under the Purchasing Policy;
- Five instances where purchase orders were issued after the tax invoice date.

This was previously raised as a finding in 2024.

**Rating: Significant (2024: Moderate)**

#### **Implications**

- When purchase orders are inconsistent with invoices or are not approved prior to purchases, there is a higher risk of unauthorised purchases being incurred.
- Non-compliance with the Shire's purchasing policy increases the risk that the Shire will not obtain value for money and potential procurement fraud.

#### **Recommendation**

We recommend that the Shire:

- Ensures purchase orders are raised and approved prior to incurring expenditure;
- Verifies that purchase order amounts accurately reflect the expected cost or are amended where necessary;
- Obtains quotations in accordance with the Shire's Purchasing Policy to demonstrate compliance and value for money.

#### **Management comment**

*We acknowledge the finding. Historic internal treatment of this practice is being managed through staff undergoing Purchase Order and Procurement training, and this will continue.*

*Further to this, the Shire has recently implemented a new process which targets poor Purchase Order practices more swiftly, identifying the individual Officer errors, with a view to rectification and understanding their development requirements moving forward to ensure best practice in raising Purchase Orders is maintained.*

*UPDATE: Review of poor Purchase Order practices has begun and is expected to become a routine process by 30 June 2026.*

**Responsible person:** Jonathan Kosareff – Accountant

**Completion date:** Ongoing internal review process – training delivered when required.



## 2. CASH IN LIEU OF PUBLIC OPEN SPACE

### Finding

We noted that all cash in lieu of public open space is currently being held in Trust (regardless of when the funds were received).

The Department of Local Government, Industry Regulation and Safety advises cash in lieu funds received post 12 September 2020 under section 14 of the Planning and Development Act 2005 should be placed in a reserve account for each sub-division within the municipal account in accordance with section 6.11 of the Local Government Act 1995. Furthermore, section 154(3) of the Planning and Development Act 2005 requires interest earned on any invested funds to be applied to the respective reserve account (from 12 September 2020).

We acknowledge cash in lieu funds received under section 154 of the Planning and Development Act 2005 from 10 April 2006 to 11 September 2020 should be held in the local government's trust account.

**Rating: Moderate**

### Implication

Risk of non-compliance with section 154 of the Planning and Development Act 2005 and section 6.11 of the Local Government Act 1995.

### Recommendation

We recommend an analysis of the cash in lieu of public open space funds currently held in trust to be conducted with the necessary action taken to ensure compliance with the relevant legislative requirements noted above.

### Management comment

*We acknowledge the finding. New reserve accounts will be created for cash in lieu funds during the 25/26 mid-year budget review for approval by Council.*

**UPDATE: Completed on 31 January 2026**

**Responsible person:** Jonathan Kosareff – Accountant

**Completion date:** January 2026

## 3. EXCESSIVE LEAVE BALANCES

### Finding

We identified eleven employees who had accrued in excess of eight weeks annual leave as at 30 June 2025.

**Rating: Moderate (2024: Minor)**

### Implication

Future unbudgeted cash outflows may cause additional financial burden on the Shire to settle excessive leave entitlements. Additionally, it is a generally accepted control principle that requiring staff to take leave periodically reduces their ability to perpetrate or conceal fraud.



### **Recommendation**

The Shire should continue to monitor employee leave balances and actively establish leave management policies or procedures for staff with a review to clear these large and long outstanding leave balances.

### **Management comment**

*We acknowledge the finding. There is an internal process for reviewing staff leave balances seeing reports generated for the Executive and Managers and is part of the Shire's Performance Review Process and one to one staff meeting.*

*Further to this, the intention is to develop a Leave Management Procedure, identifying our internal practices and other information, with this body of work currently being managed by the Organisational Development Team.*

*UPDATE: As of 31 January 2026, the number of staff with annual leave balances greater than eight weeks reduced from 11 to 8. Leave plans are currently being developed with the remaining Officers.*

**Responsible person:** Stephanie Tucker – Manager Organisational Development

**Completion date:** March / April 2026

## **4. DOCUMENTED POLICIES AND PROCEDURES**

### **Finding**

During our review of various Shire policies and procedures, we noted the following:

- The Rates Policy was not reviewed in accordance with the stated next review date of March 2024; and
- The Investments Policy was not reviewed in accordance with the stated next review date of December 2019

This finding was also raised during the 2024 interim audit.

**Rating: Minor (2024: Minor)**

### **Implication**

Without approved policies and procedures, staff may be unaware of Council and management's expectations regarding how they conduct themselves and perform various key transactions and activities. This can lead to errors, fraud, and/or non-compliance.

### **Recommendation**

We recommend the Shire policies be reviewed and updated to reflect the Shire's current practices.

### **Management comment**

*Investment of Funds Policy – There was an error that has been corrected on the policy document on the website with the next review date. This policy was actually reviewed in January 2023 with a next review date of January 2025. The policy review is scheduled to be completed within the next six months.*

*The Rates Policy – The policy review is scheduled to be completed within the next six months.*

*UPDATE: Review of these policies is expected to be completed by 30 June 2026.*



**Responsible person:** Samantha Chamberlain – Director Community and Corporate

**Completion date:** June 2026

## 5. EMPLOYEE BENEFIT PROVISIONS

### Finding

We noted that employee benefit provisions were calculated using wage rates applicable as at 30 June 2025, without taking into account the wage increases effective from July 2025.

**Rating: Minor**

### Implication

Non-compliance with Australian Accounting Standard AASB119 Employee Benefits and risk of misstatement of employee entitlement provisions.

### Recommendation

In accordance with AASB119, employee entitlements at 30 June 2025 are to be calculated using wage rates at which the benefit is expected to be paid.

### Management comment

*We acknowledge that the annual leave provision was calculated using 24/25 wage rates. This was due to the provision being calculated before the 25/26 budget was adopted, so the new wage rates were not certain at the time of calculation.*

*Although using the new wage rates would not have resulted in a material increase in the provision, going forward, the calculation will be re-run after the budget is adopted.*

*UPDATE: To be implemented during 30 June 2026 year-end processes.*

**Responsible person:** Jonathan Kosareff – Accountant

**Completion date:** July 2026

## Summary

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The 2024/25 Interim and Final Financial Audit process identified 5 findings in total, 1 significant, 2 moderate and 2 minor in nature.

Of the 5 identified, all actions can be finalised by June 2026.

Officers welcome the feedback received through the audit process, ensuring that all financial activity is both compliant with the current standards and is contemporary through financial functions to support good governance and transparency.

The information presented in this report is commended to the committee for review.



## Voting Requirements

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Simple Majority.

### Officer's Recommendation – 6.4

#### **AC/2026/3 - Officer's Recommendation - 6.2**

*Moved Cr Fergusson, Seconded Cr Hastie.*

**That the Audit, Risk and Improvement Committee receive and review the quarterly FY2024/25 external audit progress update as detailed in this report.**

**Carried 3 / 0**

*For - Cr Fergusson, Cr Hastie and Cr Mogg.*

*Against - Nil.*



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### 6.3. Corporate Risk Register Quarterly Report

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<b>Author</b>	Governance Officer, Belinda Facey
<b>Authorising Officer</b>	Director Community and Corporate Services, Samantha Chamberlain
<b>Nature of the Decision</b>	Legislative Review
<b>Attachments</b>	1. Corporate Risk Register February 2026 Update [6.3.1 - 3 pages]
<b>Confidential Status</b>	<i>This item is not a confidential matter.</i>

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#### Proposal

The Audit, Risk and Improvement Committee (ARIC) to receive the Shire's Corporate Risk Register and consider risk mitigation treatments.

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#### Officer's Recommendation

That the Audit, Risk and Improvement Committee receives the Corporate Risk Register and accepts the proposed treatments.

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#### Background

The Council adopted the Risk Management Framework at the Ordinary Meeting of the Council on 30 March 2022 and included the development of a Corporate Risk Register.

A Corporate Risk Register is a systematic and structured tool that provides organisations with a holistic view of potential risks. It is a repository that documents risks, their potential impact, likelihood of occurrence, and mitigation strategies, and supports the Shire in preparing to respond proactively to these risks through varying measure, activities and processes which are documented in the Register.

The Regulation 17 review identified the need to report the Shire's Corporate Risk Register to the Audit, Risk and Improvement Committee, seeing reports presented on a quarterly basis.

#### Previous Council/Committee Decision:

Audit and Risk Committee Meeting – 26 February 2025 – The Audit and Risk Committee received the Corporate Risk Register Quarterly Report.

Audit, Risk and Improvement Committee Meeting – 30 July 2025 – The Audit and Risk Committee received the Corporate Risk Register Quarterly Report and accept the proposed treatments.

Audit, Risk and Improvement Committee Meeting – 10 December 2025 – The Audit and Risk Committee received the Corporate Risk Register Quarterly Report and accept the proposed treatments.



## Decision Framework

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### Shire of Capel Strategic Community Plan 2025 - 2035

Direction 4 - Deliver good leadership, governance, and decision-making:

4.1 Effective and compliant governance.

4.2 Informed and transparent decision making.

### Corporate Business Plan 2025 - 2029

GOV 8 - Risk Management Plan - Review effectiveness of Risk Management Framework and provide continuous training to the Council and employees.

## Statutory Framework

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### Local Framework

The Shire of Capel Risk Management Framework.

### State Framework

*Local Government (Audit) Regulations 1996*

#### 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 –
  - (1) risk management; and
  - (2) internal control; and
  - (3) legislative compliance.
  - (4) The review may relate to any or all of the matters referred to in sub regulation (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.
  - (5) The CEO is to report to the audit committee the results of that review.

### Federal Framework

There are no federal frameworks relevant to this item.

## Policy Framework

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The following Shire Policies apply:

- Risk Management Framework.

**Implications**

**Risk Implications**

Risk	Likelihood	Consequence	Mitigation
<b>Risk 1</b> Reputation <b>Rating: High</b>	Possible	Major	The CEO is required to review the Local Government’s systems and procedures in relation to risk management under the <i>Local Government (Audit) Regulations 1996</i> . Quarterly risk reporting will be brought to the ARIC.
<b>Risk Description:</b> Failure to identify the Shire’s risks in an open and accountable way.			
<b>Risk 2</b> Legislative Compliance <b>Rating: Medium</b>	Possible	Major	The CEO is required to review the Local Government’s systems and procedures in relation to risk management under the <i>Local Government (Audit) Regulations 1996</i> . Quarterly risk reporting will be brought to the ARIC.
<b>Risk Description:</b> Failure to understand and meet legislative requirements.			
<b>Opportunity:</b> To meet requirements of risk reporting and provide the ARIC an opportunity to provide input and identify solutions to mitigate Shire risks.			

**Financial Implications**

Budget

Budgetary impacts related to the resourcing of risk mitigation requirements are considered within the 2025 - 2029 Corporate Business Plan and included in the 2025/26 Annual Budget. The attached Risk Register also identifies the required mitigation strategies which may be considered in the 2026/27 Annual Budget or the Shire’s Long Term Financial Plan.

For this quarterly report, no further financial considerations are required to support the Officer’s Recommendation relating to the reformatting of the Accounts Paid report to Council.

Long Term

As no assets/infrastructure are being created, there are no long-term financial implications relevant to this proposal.

**Sustainability Implications**

Effective identification, assessment, management, and mitigation of risks are essential for all aspects of strategic and operational sustainability of the Shire of Capel.

**Consultation/Engagement**

**External Consultation**

No external consultation is required.



## Internal Consultation

Consultation has been undertaken with some members of Shire's Management Team and Executive Management Team.

## Officer's Comment

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The Risk Register is a key tool in risk management, used to systematically identify, assess, and monitor potential risks that may impact a project or the broader organisation.

Following the Committee meeting, the Register will be presented to Council, along with any recommendations requiring consideration.

As an evolving document, the Corporate Risk Register is updated regularly to reflect emerging risks and mitigation progress. Quarterly reporting ensures that both the ARIC and Council are kept informed of risk treatment progress and any additional resource requirements.

Items flagged to be removed are highlighted in **red** and the new additions / amendments are made in **bold** format for clarity to the Committee.

The mitigations that are current or anticipated are sourced from the Shire's Corporate Business Plan (CBP) and business as usual actions (BAU). The risk reporting will help identify elements that may be missing or are not as effective as initially anticipated.

It is important to note that several risks currently carry a 'high' residual rating. Further commentary on these risks is provided below.

### **Risk 7: Inadequate management of work, health, and safety (WHS) requirements.**

#### **Change: High to Medium**

#### **Reason:**

Having both a WHS Advisor and now a trainee has provided much needed support with day-to-day operations, assisting in the implementation of safety initiatives and contributing to ongoing compliance efforts.

The introduction of the new safety reporting software, SafetyCulture, has further strengthened our reporting processes, improved visibility of safety data, and enhanced overall accountability across the organisation.

The Psychosocial Hazards Register has been completed and rolled out to the organisation.

This register applies a risk-based approach in managing all hazards regarding psychological safety as outlined in the Department of Mines, Industry Regulation and Safety (DMIRS) Code of Practice (Psychosocial Hazards in the Workplace).

The Work Health and Safety Management Procedures have also been reviewed as part of the broader Organisational Development procedural review. Now that this process is complete, seeing a suite of supporting Management Procedures implemented, the probability of

associated risks occurring will be reduced through the implementation of more contemporary and robust practices.

**Risk 10: Failure to provide long term waste management services.**

**Change: No change to rating.**

**Reason:** Waste management is a sector wide issue; current Southwest Waste facilities are reaching their capacity, and a long-term solution has not been identified. Additionally, current costs of waste services are increasing.

There are initiatives for Southwest Councils to work together to find solutions, such as the joint tendering process the Shire has been engaged in. However, there is yet to be a long-term solution to waste disposal and management regionally. A report was taken to Council in August 2025, which determined that the Shire would determine an approach by June 2026.

Following the Council's endorsement of the Shire's 10 Year Waste Strategy, a requirement from the Council is to develop a Waste Implementation Plan which was included within the Chief Executive Officer's Key Performance Indicators.

**Additional Comments on Controls and Resources:**

**Risk 2: Failure to recruit and retain the organisational workforce.**

**Reason:** Changes to the planned treatments have been included, as planned treatment 3 & 4 have now been completed.

Additionally, the Shire is going through a comprehensive organisational salary review to ensure internal pay parity, whilst going some way to tackling external competitiveness. Aligning pay scales across the organisation promotes fairness, supports workforce retention, and reduces the risk of salary inconsistencies between comparable roles.

Benchmarking against other local governments further ensures that remuneration remains competitive within the sector, enabling the organisation to attract and retain skilled employees while upholding transparent employment practices.

Following the salary review, a report will be brought to the Audit, Risk and Improvement Committee and Council with the outcome and long-term budget considerations.

**Risk 5: Failure to comply with new Statutory & Regulatory Requirements and provide good governance.**

**Reason:** The addition of the development of a compliance calendar has been included as a planned treatment to align with the findings from the Regulation 17 audit.

An investigation into the delivery of the Compliance Calendar has been conducted and the development and planning has commenced for the Shire.

**Risk 6: Failure to grow economic development and place management.**

**Reason:** Further inclusions have been made to reflect the increased level of activity currently occurring in the Shire's economic development space.



The review of the Economic Development Strategy has been incorporated, consistent with the Corporate Business Plan, along with the ongoing discussions regarding the Bunbury Harvey Regional Group of Councils and their governance improvements, which aim to strengthen regional collaboration to support future economic growth.

The Agribusiness Precinct has also been identified as a key advocacy project, with the potential to deliver significant economic benefits for both the Shire and the wider region, particularly within the agricultural sector.

**Risk 8: Failure to develop and maintain climate change and environmental sustainability management.**

**Reason:** The Contaminated Sites Management Policy was endorsed at the Audit, Risk and Improvement Committee in December 2025. The draft Policy is proposed to go to the March Ordinary Council Meeting for adoption.

**Summary**

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The attached Corporate Risk Register is a live document, and Officers welcome the Committee and Council's feedback.

Future updates to the Corporate Risk Register will be presented to the ARIC meetings, then presented at the following Ordinary Meeting of Council.

The Council is to review and consider the current identified risks in the Corporate Risk Register with current and future risk mitigation strategies presented to reduce risk across the organisation.

**Voting Requirements**

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Simple Majority.

**Officer's Recommendation – 6.3.**

**AC/2026/4 - Officer's Recommendation - 6.3**

*Moved Cr Fergusson, Seconded Cr Hastie.*

**That the Audit, Risk and Improvement Committee receives the Corporate Risk Register and accepts the proposed treatments.**

**Carried 3 / 0**

*For - Cr Fergusson, Cr Hastie and Cr Mogg.*

*Against - Nil.*



## **7. Meeting Closure**

*There being no further business, the Presiding Member declared the meeting closed at 3:08pm.*