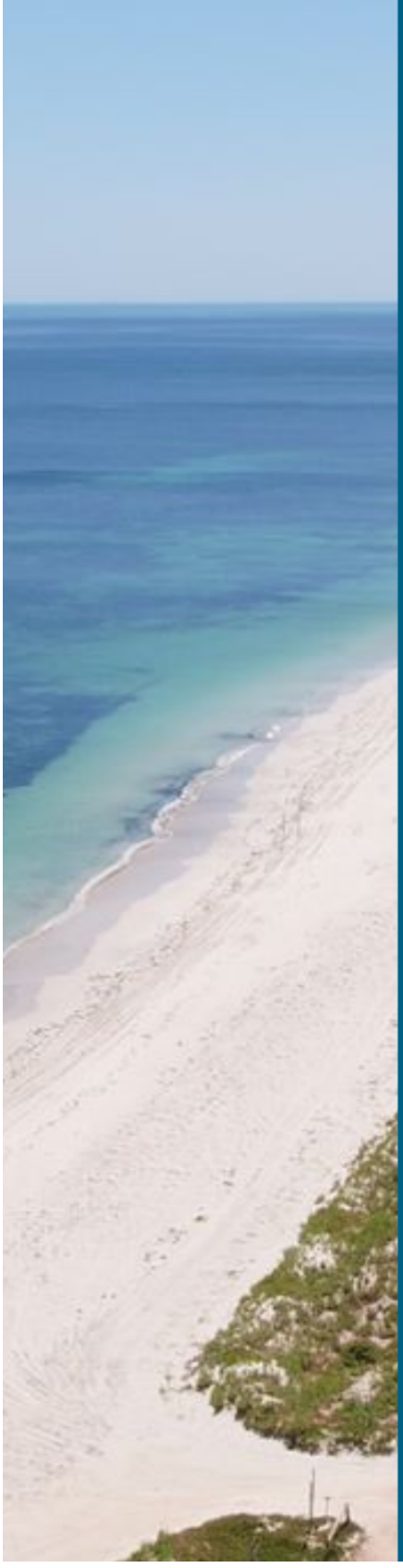

SHIRE of CAPEL

Audit, Risk and Improvement Committee

Notice of Audit, Risk and Improvement Committee Meeting

The next Audit, Risk and Improvement Committee Meeting of the Shire of Capel will be held on Wednesday 30 July 2025 in the Council Chambers, Forrest Road, Capel commencing at 4:00 pm.

Samantha Chamberlain
Director of Community and Corporate
24 July 2025

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

TABLE OF CONTENTS

1. Declaration of Opening/Announcement of Visitors

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.'

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

3. Declarations of Interest

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

A **financial interest** occurs where a Councillor, or a person with whom the Councillor is closely associated, has a direct or indirect financial interest in the matter. That is, the person stands to make a financial gain or loss from the decision, either now or at some time in the future.

An **indirect financial interest** includes a reference to a financial relationship between that person and another person who requires a Local Government decision in relation to the matter.

A person has a **proximity interest** in a matter if the matter concerns a proposed change to a planning scheme affecting land that adjoins the person's land; or a proposed change to the zoning or use of land that adjoins the person's land; or a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land.

An **impartiality interest** means an interest that could, or could reasonably be perceived to, adversely affect the **impartiality** of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.

4. Public Question Time

5. Confirmation of Minutes

5.1. Audit and Risk Committee Meeting 26 February 2025

Voting Requirements

Simple Majority

Officer's Recommendation – 5.1.

That the Minutes of the Audit and Risk Committee Meeting 26 February 2025 be confirmed as a true and correct record.

6. Reports

6.1. Corporate Risk Register Quarterly Report

Author	Manager Governance and Risk, Tahlia Shipley
Authorising Officer	Director Community and Corporate Services, Samantha Chamberlain
Nature of the Decision	Legislative Review
Attachments	1. Coporate Risk Register July 2025 Update [**6.1.1** - 3 pages]
Confidential Status	*This item is not a confidential matter.*

Proposal

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

Officer's Recommendation

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

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 Decision:

Audit and Risk Committee Meeting – 20 December 2023 - The Audit Committee noted and endorsed the S hire's Corporate Risk Register and mitigation treatment for an additional FTE to be considered within the Workforce Plan, following a workshop with Council.

Audit and Risk Committee Meeting – 27 March 2024 – The Audit and Risk Committee noted and endorsed the Shire's Corporate Risk Register and requested the CEO to investigate options to protect the Shire from fraud in respect to publication of accounts payable.

Audit and Risk Committee Meeting –27 November 2024 – The Audit and Risk Committee noted and endorsed the Shire's Corporate Risk Register.

Audit and Risk Committee Meeting – 26 February 2026 – The Audit and Risk Committee recieved the Corporate Risk Register Quarterly Report.

Decision Framework

Shire of Capel Strategic Community Plan 2023-2033

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 2024-2028

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

Statutory Framework

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.
    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

The following Shire Policies apply:

- Risk Management Framework.

Implications

Risk Implications

Risk	Likelihood	Consequence	Mitigation
Risk 1 Reputation **Rating:** High	Possible	Major	The CEO is required to review the Local Government's systems and procedures in relation to risk management under the *Local Government (Audit) Regulations 1996*. Quarterly risk reporting will be brought to the ARIC.
Risk Description: Failure to identify the Shire's risks in an open and accountable way.			
Risk 2 Legislative Compliance **Rating:** Medium	Possible	Major	The CEO is required to review the Local Government's systems and procedures in relation to risk management under the *Local Government (Audit) Regulations 1996*. Quarterly risk reporting will be brought to the ARIC.
Risk Description: Failure to understand and meet legislative requirements.			
Opportunity: 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 (due to be endorsed at the August OCM) and included in the 2025/26 Annual Budget. The attached Risk Register also identifies the required mitigation strategies.

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

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: No Change, update to planned treatments

Reason: Since the last update to the ARIC, the Shire has onboarded the new Work Health and Safety Trainee. Having a WHS trainee presents a valuable opportunity for the Shire to strengthen its safety culture and build internal capacity.

With only one dedicated WHS advisor, a trainee can provide much-needed support in day-to-day tasks, assist in implementing safety initiatives, and contribute to ongoing compliance efforts.

The Psychosocial Hazards Register has been developed and is at the final stages before role out across the business.

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).

This process includes:

- Identifying workplace hazards and risk factors.
- Assessing risks.
- Controlling or eliminating hazards or risk factors.
- Monitoring and reviewing the effectiveness of controls.

This register is anticipated to be rolled out within the next month. With the above in mind, the current risk rating remains 'high'. However, following the above review process, the risk will be reduced in subsequent reports post organisational roll out.

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 recent 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 outlining the proposed actions following this tender will be presented to the Council in August 2025.

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. This plan is currently under development.

Risk 11: Failure to provide sufficient Information Communication Technology (ICT) & Enterprise Resourcing Program (ERP) support.

Change: No change to rating.

Reason: Staff anticipate that following the implementation of the new ERP system and potential supporting programs, we should see a decrease in the risk rating. The ERP tender was awarded at the January Ordinary Meeting of Council and contract negotiations have commenced.

Business Systems are also drafting a new ICT Strategic Plan which has been provided to this ARIC meeting and the July Ordinary Meeting of Council. Other risk mitigating strategies in ICT is the adoption of a Cyber Security Policy, which will align with the requirements of the Privacy and Responsible Information Sharing Legislation.

Additional Comments on Controls and Resources:

Risk 1: Failure to provide long term financial sustainability

Reason: A change to the reporting framework for the monthly financial statements is currently underway, aimed at improving accessibility of financial information. Moving forward, elected members will receive the monthly financial statements as part of their regular information brochure, providing a consistent and streamlined means of reviewing the Shire's financial performance. In parallel, a summary data report will be made publicly available via the Shire's website, supporting open communication with the community.

In addition to these improvements, the Shire is in the process of drafting a new Long Term Financial Plan (LTFP). This plan will outline the Shire's financial strategies and priorities over a ten-year period and is intended to support sustainable service delivery and infrastructure planning. The draft LTFP is scheduled to be presented to Council for consideration and proposed adoption at the August 2025 Ordinary Council Meeting.

Risk 4: Failure to deliver capital works and projects

Reason: The addition of the development of the Contractor Management Framework has been included as a planned treatment to align with the findings from the recently completed Regulation 17 audit.

A Contractor Management Framework is essential for ensuring that all contractors engaged by the local government operate in compliance with legal, safety, and performance standards. It provides a structured approach to managing risks, monitoring contractor performance, and upholding the Shire's duty of care across all works and services delivered.

The framework preliminary investigations have commenced, and a framework will be worked on over the next 6 months.

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 algin with the findings from the Regulation 17 audit.

The development of this calendar will be subject to resourcing considerations for the existing governance software, due to the potential transition to new software through the implementation of the Enterprise Resource Planning Software upgrade.

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

Reason: The inclusion of the draft contaminated sites management policy has been included as a planned treatment in line with the contaminated sites report presented to the ARIC.

Risk 9: Failure to provide strong community and stakeholder engagement

Reason: The inclusion of the community engagement digital platform has been included as a planned treatment. This new platform is included in the draft 2025 – 2029 Corporate Business Plan.

A community engagement digital platform offers numerous benefits for the Shire, including increased accessibility and participation by allowing community members to engage anytime, anywhere. It enhances transparency and trust by providing a centralised, consistent space for information sharing, feedback collection, and updates on projects or decisions.

Additionally, it enables more efficient data collection and analysis, helping inform evidence-based decision-making. Over time, such platforms can strengthen community relationships and ensure diverse voices are represented in shaping local policies and initiatives.

Summary

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

Simple Majority.

Officer's Recommendation – 6.1.

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

Corporate Risk Register

IDENTIFICATION									CURRENT				PROPOSED				
RISK #	SCP REF	DESCRIPTION OF RISK	RISK CAUSE	RISK CONSEQUENCE	IMPACT CATEGORY	CONSEQUENCE RATING	LIKELIHOOD RATING	INHERANT RISK RATING	EXISTING CONTROLS	CONSEQUENCE RATING	LIKELIHOOD RATING	RESIDUAL RISK RATING	PLANNED TREATMENTS	RESOURCES REQUIRED	RISK OWNER	TREATMENT DUE DATE	STATUS
1	2.3 3.3 4.1 4.2 6.1	Failure to provide long term financial sustainability. No connectivity between all Integrated Planning and Reporting strategies	• Increased costs on materials/services • Service level expectations • Rating strategy • Borrowing capacity • Grant security	Lack of financial sustainability	Financial	Major	Possible	High	• Ensuring a regular review of the Long term financial plan • Annual reviews of Programs of Works (PoW) • Procurement Management procedure • Quarterly reporting of the Corporate Business Plan • Use of the WA Treasury Corporation Financial Tool	Major	Unlikely	Medium	1. Regular review of PoW **2. Review of reporting Monthly Captial Works through Financial Statements** **3. Development of new LTFP and annual review in May.**	1. EWS 1 - Annual Captial Works	1. Director Infrastructure and Development **2 & 3. Director of Community and Corporate**	1. Ongoing **2. August 2025** **3. August 2025**	1. 2025/26 Programs due to come to Council between March and April. - Completed **2. In Progress** **3. In Progress**
2	4.1 4.4	Failure to recruit and retain the organisational workforce	• Workforce resourcing allocations to projects • Reduced recruitment opportunity due to a competitive recruitment market • Accommodation for staff • Resourcing in Human Resources • Lack of skilled workforce • Increased staff turnover	• High staff turnover • Inability to meet service requirements	Reputational and Service Delivery	Major	Possible	High	• Workforce Plan • Traineeship initiatives • Leadership development program **• Additional resourcing in Organisational Development team.** **• Organisational Service review stage 1 completion and action commencement**	Major	Unlikely	Medium	1. Implement Organisation Development Strategy 2. Implement Cultural Development Program 3. Urgent recruitment of roles 4. Implementation of Service Review Stage 2 outcomes **5.Development of new Leadership Development Program** 6. Employee perception survey 7. Industrial Relations Agreement (internal workforce) RFQ development	2. Budget inclusion as per ORDG 9 in the CBP 4. Budget inclusion as per CBP items DCC 5 and DID 6	1. - 3. Manager Organisational Development / Director of Community and Corporate 4. Director of Community and Corporate and Director of Infrastructure and Development 5. - 7 Manager Organisational Development	1. 30/06/2025 2. Ongoing 3. Ongoing **4. 30/03/2025** **5. 30/06/2025** 6. 30/04/2025 7. 30/06/2025	1. Not started 2. In progress 3. In progress 4. In progress **5. In Progress** 6. Completed 7. In Progress
3	3.2 3.4 4.3 5.1 5.2 5.3 5.4	Insufficient Asset Management	• Contractor availability • Increased costs in materials and services • Insufficent FTE Resources in Asset team • Limitied data	Failure to deliver Capital Works Programs and manage assets	Infrastructure / systems / utilities and financial	Major	Likely	High	• Completed asset revaluation for current data • Utilise alternative procurement opportunities • Current and contemporary Asset Management Strategy and Asset Management Policy • Sufficient asset management software	Moderate	Possible	Medium	1. Award of RFQ for Data Survey - POS 2. Development of Asset Management Plan	Budget inclusion PFA 9 & 13	Manager Projects, Facilities and Assets / Director Infrastructure and Development	1. 31/12/2026 2. Ongoing	1. In progress **2. December 2025**
4	2.1 3.2 4.5 5.1 5.2 5.3 5.4	Failure to deliver capital Works and projects	• Inflation / cost increases • Service level expectations • Staff continuity • Availability of contractors • Lack of skilled contract managers **• Lack of compliance oversight in contractor management**	• Service delivery requirements not met • Compliance standards not maintained	Infrastructure / systems / utilities and Reputational	Major	Likely	High	• Corporate Business Plan tracking • Utilise alternative procurement opportunities • Improved reporting of progress to executive. • Monthly reporting to the Council through Financial Reports as per Risk 1	Major	Unlikely	Medium	1. Develop a Project Management Framework **2. Develop a Contractor Management Framework**	1.PFA5 Project Management Framework	1. Director of Infrastructure and Development **2. Manager Governance and Risk**	1. 30/06/2025 **2. 30/06/2026**	1. In progress - draft testing **2. Preliminary Investigation commenced**

5	4.1 4.2	Failure to comply with new Statutory & Regulatory Requirements and provide good governance	• Lack of resourcing in governance and compliance roles • Sufficient training in legislative changes • Ability to provide considered input to government departments • Challenges with interpretation of legislation • **Lack of oversight of all business compliance**	Non-compliance of services	Legislative compliance, financial and reputational	Major	Possible	High	• Attendance of Department briefings • Rollout of new procurement management procedure • Internal training provided to staff	Major	Unlikely	Medium	1. Development of additional registers and reporting for future reform requirements 2. Creation of new policies and procedures to in relation to Amendment Bill. 3. Implementation of PRIS requirements 4. Review of Code of Conduct **5. Development of Compliance Calendar**	No current resourcing requirements besides BAU actions in the CBP	CEO and Manager Governance and Risk	1. 30/06/2026 **2. Ongoing** **3. Ongoing** 4. 31/12/2025 **5. 31/12/2025**	**1. In Progress** 2. In Progress 3. In progress 4. Not Started **5. Preliminary investigation commenced**
6	1.1 1.2 1.3 3.1 3.2 3.3 4.3 6.1 6.2	Failure to grow economic development and place management	• Lack of Shire resourcing • Failure to develop across sector relationships • Insufficient local public transport • Insufficient tourism strategy • Failure to provide local employment opportunities • Insufficient sporting facilities to meet requirements of the community	Inability to support a growing community	Reputational and Service Delivery	Moderate	Unlikely	Medium	• Ongoing meetings with Shire of Capel Economic Development Committee • Regular meetings with SW Development Commission • Regular meetings with local MP's	Minor	Possible	Medium	1. Implementation of Economic Development initatives	No current resourcing requirements besides BAU actions in the CBP	CEO	1. Ongoing	1. In progress (planning)
7	1.4 4.1 4.4 6.2	Inadequate management of Work Health and Safety requirements	• Non-compliance with legislative requirements for WHS Act • Lack of sufficient training with volunteers • Insufficient training with employees due to staff turnover • Lack of resourcing in Organisational Development • Outdated procedures	• Injuries/death • Legislative non-compliance, resulting in legal ramifications	Health and Safety and Legislative Compliance	Severe	Likely	High	• Work Health and Safety Officer support to staff • Online induction requirements for volunteers and contractors • Development of online induction for staff •Regular onboarding meetings to ensure staff are supported.	Severe	Possible	High	1. Implementation of working alone procedure 2. Assist in WHS support in the Contractor Management Framework 3. Training to volunteers and staff 4. Recruitment of trainee to support WHS Advisor 5. Development of sychosocial Hazard Risk Register	3. Utilise current budget allocations for training	CEO	1. 30/06/24 2. Ongoing 3. Ongoing 4. 30/06/2025 5. 31/08/2025	1. Draft finalised 2. In progress 3. In Progress 4.Completed **5.Implementation in action, final ratings to be completed to draft.**
8	2.1 2.2 2.3 2.4 2.5 2.6 2.7	Failure to develop and maintain climate change and environmental sustainability management	• Lack of community knowledge in current challenges • Lack of resourcing in sustainability • Insufficient sustainability framework • Lack of across organisational understanding • Insufficient CHRMAP action planning • **Insufficent resources towards contaminated sites management**	Inability to future plan for environmental concerns	Environmental and Reputational	Moderate	Possible	Medium	• Work with the Climate Change, Adaptation and Sustainability Committee on developing key initiatives • Current development of the Shire's Sustainability Framework	Moderate	Unlikely	Medium	1. Report on current sustainability initiatives 2. Implementation of Sustainability Action Plan **3.Prepare draft contaminated sites management policy and future financial prioritisation.**	2. Budget inclusions in CBP PFA 34 for reporting mechanisms	CEO and Director Infrastructure and Development and Senior Sustainability Officer	1. Ongoing 2. Ongoing **2. 31/12/2025**	1. In Progress 2. In progress **3. In Progress**
9	1.1 1.3 3.1 6.1 6.2	Failure to provide strong community and stakeholder engagement	• High staff turnover • Increased community expectations • Failure to provide sufficient communication to community • Increased service delivery • Lack of contractor and consultant availability • Lack of understanding of Local Government roles and responsibilities	Relationship decline with the community and stakeholders, resulting in lack of trust and partnership	Reputational and Service Delivery	Minor	Unlikely	Low	• Frequent meetings with SW Local Governments • Frequent meetings with SW WALGA Zone • CEO meetings • Youth Group • Seniors Group / Link • Community Engagement Framework • Communication Strategy	Minor	Unlikely	Low	1. Training staff in community engagement best practices **2. Community engagemnt digital platform**	1. No current resourcing requirements besides BAU actions in the CBP included in the draft 2025 - 2029	Communication Coordinator	1. Ongoing **2. September 2025**	1. Key identified staff to undertake external training **2. In development**
10	1.4 2.6	Failure to provide long term waste management services	• Increased costs of waste services • Insufficient waste facilities • Lack of sustainable waste management long term options • Waste transport costs • Lack of licence capabilities at the Shire's Waste Transfer Station	Increased costs and environmental/sustainability impacts	Infrastructure / systems / utilities and financial	Major	Likely	High	• Attendance at SW regional waste group meetings • New waste service 10 year tender • Annual monitoring of waste data Implementation of 10 year waste strategy	Major	Possible	High	1. Local Waste education 2.Tracking of current waste data 3. Finalise draft waste action plan	No current resourcing requirements besides BAU actions in the CBP	Director Infrastructure and Development and Manager Parks, Waste and Environmental Services	1. Ongoing 2. Ongoing 3. 30/06/2025	1. In Progress 2. In Progress **3. Completed**

11	1.1 3.2 4.1 4.2 4.5 6.1 6.2	Failure to provide sufficient ICT & ERP support	• Lack of technology • Insufficient ERP system • Increased expectation from the community • Increased service delivery expectations • Increased cyber security risks •Lack of ICT Risk identification through minimal resource	Decline in service delivery and inability to meet service needs	Reputational, Financial and Service Delivery	Severe	Likely	Extreme	• Scheduled replacement of ERP system • Internal cyber security training • Minor technology upgrades	Major	Likely	High	1. Implementation of new ERP System 2. Development of ICT Strategic Plan 3. Development of Cyber Security Policy/PRIS requirements	1. Budget consideration s per BTECH 35 in CBP	Manager IT and Business Systems and Director Community and Corporate	1. 30/06/25	1. Tender awarded, contract negoiations commencing **2. Council Meeting 30 July 2025** 3. August 2025
12	1.4 4.2 6.1	Failure to provide emergency management and business recovery / continuity in a disaster	• Lack of new work health and safety requirements • Lack of resourcing • Decline in the number of volunteers • Lack of sufficient training on the Shire's Business Continuity Plan • Lack of available resourcing for service delivery	Impact on ability to support the community in a disaster	Health and Safety and Legislative Compliance	Severe	Unlikely	High	• Frequent meetings with the Local Emergency Management Committee • Frequent meetings with the Bush Fire advisory Committee • Current Bush Fire Management Plans • Bush Fire Mitigation Officer undertaken consistent management of reserves	Servere	Rare	Medium	1. Review of Business Continuity Plan 2. Contractor engagement of bush fire mitigation 3. Development of Recovery Plan	1. No current resourcing requirements besides BAU as detailed in CBP 2. No current resourcing requirements besides BAU as detailed in CBP. 3. No current resourcing requirements besides BAU as detailed in CBP.	1. Manager Governance and Risk 2. Emergency Service Coordinator and Director Infrastructure and Development 3. Emergency Services Coordinator	1. 30/08/25 2. Ongoing **3. 30/12/25**	1. In progress 2. In Progress **3. Draft being finalised**

6.2. Shire of Capel - Interim Audit Report - Year Ending 30 June 2025

Author	Director Community and Corporate Services, Samantha Chamberlain
Authorising Officer	Acting Chief Executive Officer, Gary Clark
Nature of the Decision	Executive/Strategic Legislative
Attachments	Nil
Confidential Status	*This item is not a confidential matter.*

Proposal

Review the findings identified during the Interim Audit for the year ending 30 June 2025 as detailed in this report.

Officer's Recommendation

That the Audit, Risk and Improvement Committee:

1. Consider the Interim Audit results as detailed in this report for the year ending 30 June 2025.

2. Recommends that the Council endorse the Interim Audit Results for 30 June 2025.

3. Notes an 'Audit Improvement Report' will be a standard agenda report at future Audit, Risk and Improvement Committee meetings until all external audit actions are reported as 'complete'.

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 on an annual basis and auditors are appointed through the Office of the Auditor General (OAG).

The Shire of Capel's Interim Audit commenced on 20 March 2025 for two days and was conducted by three Officers from AMD Chartered Accountants, being the appointed Auditors for the Shire. The former appointed Auditors were Moore Australia (WA).

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 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/2024/09 -Amended Recommendation/Committee Decision - 5.3
Moved Cr Kitchen, Seconded Cr Terrantroy.

That the Audit and Risk Committee:

1. Consider the Interim Audit results for the year ending 30 June 2024.

2. Recommends that the Council endorse the Interim Audit Report and the accompanying 'Management Comments' as detailed in the Officer's Report.

3. Develop an IT and cyber security controls policy focused on training, contractors/third parties, IT controls; and data breaches.

4. Notes a '2023/24 Financial Audit Progress Report' will become a standard agenda item and be presented at future Audit and Risk Committee meetings until all actions are reported as 'complete'.

Carried 5 / 0 For - Cr Kitchen, Cr Terrantroy, Cr Dillon, Cr McCleery and Cr Mogg
Against – Nil

Statutory Framework

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

Strategic Community Plan 2023 - 2033

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 – 2024 - 2028

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

The following Shire Policies apply:

Policy 2.35 Legislative Compliance.

Implications

Risk Implications

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

Financial Implications

Budget

The cost of works associated with the 2024/25 external audit process is included within the 2025/26 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 Shire's governance framework. This facilitates consistent and equitable decision making, which is essential to create positive social, economic and environmental impacts in the community.

Consultation/Engagement

External Consultation

The following timeline is a broad outline of the key deliverables and timing aspects of the audit process:

- Onsite Interim Audit by AMD - 20 and 21 March 2025.
- Onsite Final Audit by AMD - 1 to 3 October 2025.
- AMD provide OAG clearance for Audit File Review including all applicable Contractor deliverables / reports late October 2025.
- OAG to complete the Final Audit Review in early November 2025.
- AMD to provide the signed AMD Audit Report, stamped Financial Statements, final Management Letter and signed Representation Letter to OAG mid-November 2025.
- OAG to issue signed Audit Report and Management Letter to the Shire prior to the scheduled Audit Exit Meeting.
- Audit Exit Meeting scheduled for Friday 14 November 2025.

Internal Consultation

The Executive Management Team, Management Team and Finance Officers were consulted throughout this process.

Officer's Comment

The Shire's completed interim external audit identified five audit findings.

The following table identifies the findings as follows:

Table 1.

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. IT and Cyber Security Controls	No	✓			✓
2. Purchase exceptions	No	✓			✓
3. Non-compliance with Section 5(2)(c) of the Local Government (Financial Management) Regulations 1996	No		✓		✓
4. Documented Policies and Procedures	No			✓	✓
5. Termination Checklist	No			✓	

The ratings included in the above table are preliminary and can be modified as the remaining 2024/25 external audit process finalises.

The following information presents each finding in detail with an accompanying 'Management Comments' of how the finding will be mitigated.

1. IT and Cyber Security Controls

Finding
From our review of the IT and cyber security controls we identified the following issues:
(i) No cyber security policy in place.
(ii) The Shire does not have a cyber security response plan.
(iii) The Shire has not developed an IT strategic plan.
(iv) No change management policy in place to monitor changes to IT systems and infrastructure.
(v) The disaster recovery plan has not been tested since it was last updated in November 2023.
(vi) Vulnerability and penetration testing are not performed.

(vii) An IT risk register has not been established and maintained.
(viii) No periodic review of user access to critical systems undertaken.
Findings (i) to (vi) were reported following the 2024 interim audit procedures. The prior year report included a finding relating to no periodic review of software and network infrastructure security which was addressed through testing of backups for file structure and accessibility every three months.

AMD understands the Shire is working towards resolving the remaining IT and cyber related matters. However, given these works are a work in progress and are carried forward from the previous audit outcome, a significant rating has been given.

Rating: Significant (2024: Significant)

Management Comment

(i) We acknowledge that the Cybersecurity plan is not yet complete. A Cybersecurity plan is currently being drafted by the ICT team and will be completed within the 25-26 Financial year.

(ii) We acknowledge that the Cybersecurity response plan is not yet complete. The response plan will also address more business-wide responses to cybersecurity activities as the existing Disaster Recovery Plan already addresses the response activities.

(iii) We acknowledge that the ICT Strategic Plan is not complete. An ICT Strategic Plan is nearing completion and is due to council at the June / July 2025 OCM. - **AUDIT ACTION COMPLETED.**

(iv) We acknowledge that internal change management is still being worked on with the ICT team recording major changes to infrastructure and systems, however, the team is too small to maintain an active daily changelog and this function will improve as the team becomes more adequately resourced.

(v) We acknowledge that a disaster recovery test has not been conducted. A disaster recovery test is scheduled for the near future (expecting June - August 2025 depending on staffing availability).

(vi) We acknowledge that external vulnerability and penetration testing has not been fully conducted. Several products are utilised internally to monitor and test systems for known vulnerabilities. Budget has been allocated for several years to conduct this work; however, physical resourcing to complete the works continues to be challenging.

(vii) We acknowledge that an ICT Risk Register has not been established as it was included in the Corporate Risk Register. In discussions recently, we have agreed that one will be constructed in the 25/26 financial year. Considering current work commitments, we would expect it to be completed toward November/ December 2025.

(viii) We acknowledge that ICT access audits are not conducted in a scheduled manner; a procedure does exist to disable any user exceeding two months without advisory. Auditing of access to Synergysoft is conducted at a record's management level on a three-monthly basis, users cannot be removed but are disabled within two months of exiting the organisation.

Responsible person: James Meakes – Manager Business Systems
Completion date: 19 May 2025

2. Purchase Exceptions

Finding From our testing of 22 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, rather than two, as per the stated Purchasing Policy.
- Four instances where the purchase orders were issued after the tax invoice date.

This was raised as a finding in 2024. Rating: Significant (2024: Moderate)

Management Comment

We acknowledge the above purchasing exceptions.

Regarding the two purchase orders with amounts less than the invoiced amount; one of the purchase orders required a variation, however, this was not properly signed off. As the purchase was from a sole supplier, it would not have affected the number of quotes required.

The second purchase order only required one verbal quote upon initiation; the invoice was only 5% greater than the purchase order and did not increase the number of quotes required.

Regarding the purchase order where only one quote was obtained, rather than the required two quotes; in this case the original quote was less than $5,000 for the repair of an air conditioner unit.

During the work, the contractor determined that the unit could not be repaired and would need to be replaced, increasing the cost. A second quote should have been obtained but was not as the process was in full swing with the engaged contractor.

Regarding instances where purchase orders were issued after the invoice date; procurement training for staff instructs them to complete purchase orders prior to incurring expenditure.

A report from the purchase order system is produced to examine purchase orders issued after the tax invoice; however, this check can only be completed after the fact.

Further Officer training to mitigate these occurrences is being scheduled during FY2025/26, supported by monthly 'all staff' email reminders regarding the correct process / timeliness for raising purchase orders.

Responsible person: Jonathan Kosareff – Accountant
Completion date: 19 May 2025

3. Non-compliance with Section 5(2)(c) of the Local Government (Financial Management) Regulations 1996

Finding
The financial management systems were not reviewed by the CEO in a timely manner, with the most recent review conducted in May 2020.

Section 5 (2)(c) of the Local Government (Financial Management) Regulations 1996, requires the CEO to 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.

This finding was also raised during the 2024 audit. The Shire is currently preparing the Request for Quote (RFQ) and is hoping to publish the RFQ by 11 April 2025. Once the Shire awards the RFQ, they anticipate completion of the Financial Management Systems Review prior to 30 June 2025.

Rating: Moderate (2024: Moderate)

Management comment

We acknowledge that the financial management systems were not reviewed by the CEO within the time required by Section 5(2)(c) of the Local Government (Financial Management Regulations 1996.

The Local Government (Financial Management) Regulations 1996 Section 5 (2)(c) financial management systems and procedures review and the Local Government (Audit) Regulations 1996 regulation 17 risk review is budgeted for completion during 2024/25.

It is intended to complete both reviews simultaneously, procuring one external Consultant to conduct the work, and create efficiencies through streamlining the two review processes.
The RFQ was awarded 13 May 2025 with the final report expected to be presented to the Audit and Risk Committee in July 2025.

Responsible person: Jonathan Kosareff – Accountant
Completion date: 19 May 2025 – AUDIT ACTION COMPLETED.

4. **Documented Policies and Procedures**

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

1. The Risk Management Policy and Framework was last reviewed March 2022 and does not specify the next review date. The current Risk Management Policy and Framework also requires enhancement as the current framework does not address the five key areas for an effective framework including:

- Risk identification.
- Risk measurement.
- Risk mitigation.
- Reporting and monitoring.
- Governance.

2. The Fraud & Corruption Policy was not reviewed in accordance with the stated next review date of December 2021 and lacks detail relating to how the Shire will practically address fraud and corruption within the following key stages:

- Planning and resourcing.
- Prevention.
- Detection.
- Response.

3. The Financial Reports Policy was not reviewed in accordance with the stated next review date of December 2021.

4. The Purchasing Policy was not reviewed in accordance with the stated next review date of November 2024.

5. The Fair Value of Assets Policy was not reviewed in accordance with the stated next review date of October 2024.

6. The Investment of Funds Policy was not reviewed in accordance with the stated next review date of December 2021.

7. The Rates Policy was not reviewed in accordance with the stated next review date of March 2024.

8. The Complaints Management Policy was not reviewed in accordance with the stated next review date of December 2022. This finding was also raised during the 2024 audit.

Rating: Minor (2024: Minor)

Management Comment

We acknowledge at the time of the interim audit (March 2025) that the policies had not been updated.

1. Risk Management Policy and Framework:

- A minor amendment of the framework occurred on 29 March 2023 to include the risk tolerances table.
- A major review is planned for this current financial year (2024/25). It has been identified that there is greater detail that could be included to suit the business.
- Risk identification – This has not been addressed in our Framework. Will ensure that part of the review will include guiding information and processes on the identification of risks. Risk is currently addressed in our reports to the Council, Corporate Risk Register, internal meetings, project frameworks and corporate documents.
- Risk measurement – The Risk Framework currently has likelihood and consequence categorisation to determine the risk rating. The risk rating is the Shire's current measurement.
- Risk mitigation - Reporting occurs on risk mitigation through the Corporate Risk Register and Officer reports. However, we agree that mitigation needs to be addressed within the framework. Will incorporate into the review.
- Reporting and monitoring – The Shire have a Risk Management Procedure that addresses the procedure of reporting risks; the Risk Management Policy also addresses the requirement for the oversite of the Audit, Risk and Improvement Committee. - **AUDIT ACTION COMPLETED.**
- Governance – The Risk Policy, Procedure and Framework outline the requirements of the business to ensure good governance. However, we agree that the key principles could be better reflected within the framework. Will incorporate this into the review.

2. Crime & Corruption Policy – A review of the policy was taken to Council on 30 April 2025 to ensure the importance and retainment of the policy. - **AUDIT ACTION COMPLETED.**

3. Financial Reports Policy – A review of the policy was taken to Council on 30 April 2025 to ensure the importance and retainment of the policy. - **AUDIT ACTION COMPLETED.**

4. Purchasing Policy - The policy review is scheduled to be completed within the next six months.

5. Fair Value of Assets Policy – The policy review is scheduled to be completed within the next six months.

6. Investment of Funds Policy – There was an error that was corrected on the policy document on the website with the next review date. This policy was 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.

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

8. Complaints Management Policy - There was an error that was corrected on the policy document on the website with the next review date. This policy was 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.

Responsible person: Tahlia Shipley - Manager Governance and Risk
Completion date: 19/05/2025

5. Termination Checklist

Finding
Our sample of testing of internal controls for terminated employees identified one instance where there was no termination checklist completed for an employee who had not returned to work.

Rating: Minor

Management Comment

We acknowledge that the Shire did not use a termination checklist in this instance as the employee in question did not have IT access, or any responsibilities regarding purchasing or other authorisations, and had limited involvement with other areas of the business, so much of the checklist was not relevant.

Given the nature of the employee's exit from the organisation, it wasn't appropriate to undertake an exit interview process. We managed the necessary requirements of offboarding within the team. However, in the future, a checklist will be completed for all terminations as documentation of the offboarding process.

Responsible person: Stephanie Tucker – Manager Organisational Development
Completion date: 19 May 2025 – AUDIT ACTION COMPLETED.

Summary

The 2024/25 interim audit identified five findings.

Of the five identified Officers have commenced mitigating strategies which are evident in the audit actions that have been completed to date and noted in the report.

Officers also note that four of the five findings relate to findings from the previous financial year, which are disappointing and will work to rectify, albeit some work may take additional time and resources to complete.

As per Officer's Recommendation 3 – the 'Audit Improvement Report' will detail the quarterly progress made for each finding.

Voting Requirements

Simple Majority.

Officer's Recommendation – 15.3

That the Audit, Risk & Improvement Committee:

1. **Consider the Interim Audit results as detailed in this report for the year ending 30 June 2025.**

2. **Recommends that the Council endorse the Interim Audit Results for 30 June 2025.**

3. **Notes an 'Audit Improvement Report' will be a standard agenda report at future Audit, Risk and Improvement Committee meetings until all external audit actions are reported as 'complete'.**

6.3. Shire of Capel Regulation 17 and Regulation 5 Audit Reports

Author	Manager Governance and Risk, Tahlia Shipley
Authorising Officer	Director of Community and Corporate Services, Samantha Chamberlain
Nature of the Decision	Executive/Strategic Legislative Review
Attachments	1. Shire of Capel - FMR - Final Review Report [**6.3.1** - 15 pages] 2. Shire of Capel - Reg 17 - Final Review Report [**6.3.2** - 15 pages]
Confidential Status	*This item is not a confidential matter.*

Proposal

Audit, Risk and Improvement Committee is requested to receive the 2025 Regulation 17 (Reg 17) and Regulation 5 (Reg 5) Audit Reports prepared by Australian Audit and note findings into the appropriateness and effectiveness of the Shire of Capel's (the Shire's) systems and procedures into relation to risk management, internal control, legislative compliance and financial management.

Officer's Recommendation

That the Audit, Risk and Improvement Committee:

1. Receives the Regulation 17 Review Report from the Chief Executive Officer in accordance with the *Local Government (Audit) Regulations 1996,* prepared by Australian Audit and notes the findings and recommendations of the report.

2. Receives the Regulation 5 Review Report from the Chief Executive Officer, in accordance with the *Local Government (Financial Management) Regulations 1996,* prepared by Australian Audit and notes the findings and recommendations of the report.

3. Recommends both reports be provided to the Council for the August 2025 Ordinary Meeting.

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 Reg 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 17 of the *Local Government (Audit) Regulations 1996.*

The Shire conducted Reg 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 ensured 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.

Previous Committee Decisions

27 July 2025 - OC/2022/143 - The Council accepted the Regulation 17 Audit Report prepared by Assurance Advisory Group and noted the findings and recommendations.

Decision Framework

Shire of Capel Strategic Community Plan 2023-2033 -

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 2024-2028

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

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

The following Shire Policies apply:

- There are no Council policies relevant to this item.

Implications

Risk Implications

Risk	Likelihood	Consequence	Mitigation
Risk 1 Legislative Compliance **Rating:** Low	Unlikely	Moderate	Ensuring a review of the legislative requirements are conducted within a three-year period.
Risk Description: Failure to ensure the Shire has met 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.			
Risk 2 Reputation **Rating:** Medium	Possible	Moderate	Ensuring that the findings and recommendations of both audit reports are addressed to ensure the Shire strives for best practice.
Risk Description: Ensuring public trust if the audits uncover significant risks in governance or financial management.			
Opportunity: 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 draft Annual Budget for the following items:

- Policy review – Stage 1 will include 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. Implementation expected to be complete before the end of July, however, may push into early August 2025.

- 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

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

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

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

Regulation 17

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 has included areas of improvement all categorised as low risks, with additional Officer comments provided below on some of the key findings.

Low Risks -

Risk Management

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.

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 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.

Internal Controls

At the June 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 with a regional collaboration approach with the Shire of Dardanup.

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.

Legislative Compliance

The Shire advised auditors of the existing Legislative 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.

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.

Complaint management processes will also be reviewed and further developed by January 2026. 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.

Additional Note:

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.

Regulation 5

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 has included areas of improvement all categorised as medium - low risks, with additional Officer comments provided below on some of the key findings.

Medium risks –

Procurement Compliance

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 will be reviewed across departments to identify opportunities where frequently engaged services can be transitioned from ad-hoc purchasing to formal service agreements.

Contractor Management

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 *Local Government Act 1995* reform regulations, which are yet to be finalised.

Low risks –

Service Contracts

The actions for service contracts are aligned with the actions required for procurement compliance.

Accounts Payable

Minor actions are required to update procedures.

Fees and Charges Input

Minor actions are required to update procedures.

Debt Management Procedures

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.

Revenue Collection & Cash Handling

This procedure has been updated since the Management Comments, so no additional action is required.

Council Rates – Exempt Properties

A written procedure will be developed that includes the different types of exemptions and the surrounding procedures.

Asset Management - Security

Some initial infrastructure to support future CCTV installation has been established at the Shire's depot. A masterplan is scheduled to be developed in the 2025/26 financial year which will inform any further implementation works.

System Access

This finding has been noted; there are challenges with the existing ERP system the Shire utilises. Improvements will be made to the new system.

Additional Note:

Outstanding rates – Individuals not covered by a payment arrangement are generally subject to ongoing legal proceedings.

Investment Procedure – A review of the Investment Procedure will be completed by November 2025.

Investment Delegations – An update will be included in the delegations to reflect the Investment of Funds Policy.

CCTV over point-of-sale systems – CCTV will be considered through the Crime and Safety Plan for the Shire. Through this process, the cash-handling locations will be considered. However, due to the limited volume of cash handling across the business, implementation is unlikely to occur in the near future.

Overall Comments

Conducting both audits concurrently resulted in positive outcomes in terms of resource efficiency and cost savings for the Shire. As both audits required several common documents and information, undertaking them simultaneously reduced duplication and minimised the need for double handling across separate processes.

Summary

Progress on actions arising from the findings of both audits will be reported to the Audit, Risk and Improvement Committee at each meeting.

Voting Requirements

Simple Majority

Officer's Recommendation – 6.3.

That the Audit, Risk and Improvement Committee:

1. **Receives the Regulation 17 Review Report from the Chief Executive Officer in accordance with the *Local Government (Audit) Regulations 1996,* prepared by Australian Audit and notes the findings and recommendations of the report.**

2. **Receives the Regulation 5 Review Report from the Chief Executive Officer, in accordance with the *Local Government (Financial Management) Regulations 1996,* prepared by Australian Audit and notes the findings and recommendations of the report.**

3. **Recommends both reports be provided to the Council for the August 2025 Ordinary Meeting.**

AUSTRALIAN AUDIT

2 July 2025

Samantha Chamberlain
Director of Community and Corporate Services Shire of Capel
31 Forrest Road
Capel WA 6271

Dear Samantha

Please find attached our final Financial Management Review report for the Shire of Capel which now incorporates the Shire's management comments regarding our findings and recommendations.

We would like to thank your staff for the positive cooperation provided to us during the review process and for promptly providing information requested during the conduct of this review.

Yours sincerely

Santo Casilli FCPA PFIIA
Associate Director, Internal Audit, Probity and Risk

Australian Audit

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Shire of Capel

Regulation 5 (2) (c) – Financial Management Review

2 July 2025

Final Review Report

(Review in Confidence)

Australian Audit

Table of Contents

Introduction

Australian Audit was engaged to undertake a financial management review of the Shire of Capel financial management systems and procedures as required to be undertaken at least once every 3 years as per the Regulation (5)(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

We conducted the review in accordance with Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* which provides a limited assurance regarding the appropriateness and effectiveness of the Shire's management controls over its financial management systems and processes.

This final report outlines the work undertaken as part of our review and includes our findings and proposed recommendations resulting from our review including management comments.

The Shire of Capel uses SynergySoft as its accounting system.

The last Financial Management Review at the shire was undertaken in May 2020 by Moore Australia.

CEO's Responsibility for the Review Report

As per Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the Chief Executive Officer (CEO) is required to undertake a financial management review, at least once every 3 financial years.

Responsibility for the Review

Our responsibility was to conduct the Financial Management Review in accordance with the Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* and to report to the CEO the review findings and proposed recommendations for management control and process improvement.

We wish to confirm that we are fully independent of the Shire of Capel and of its operations regarding this review.

Review Limitations

The matters raised in this review report are only those which came to our attention during the course of performing the financial management review and may not necessarily be a comprehensive statement of all the possible control weaknesses and / or process improvement options that may be made in relation to the Shire of Capel financial management systems and procedures.

As part of our review, we have not assessed and examined every financial process and procedure and as such have limited our assessment and evaluations only to those areas where we considered may be of higher risk to the Shire of Capel regarding its Financial Management process. As such we did not examine every activity and procedure that may exist at the Shire and therefore only provide limited assurance to the Shire.

Our review, which was conducted in accordance with Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* was not an audit, and as per ASAE 3000 we can only provide assurance based solely on our assessment of the information which was provided to us by the Shire of Capel during the conduct of this review.

This review report is to be used solely for the purpose of reporting to satisfy the requirements of *Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996* and should not be used for any other purpose or be distributed, other than to the Shire of Capel.

Scope and Methodology

The review undertook the following approach:

- Information was sought from the Shire of Capel and was assessed.
- Discussions were held with the Shire of Capel management and relevant staff to understand the financial processes and the management controls currently in place via a site visit conducted on 18 June 2025.
- We assessed the adequacy of key management controls currently in place over key financial management systems and procedures in line with the following work program provided to the Shire of Capel and based on information that was provided to us during the review period and during our site visit.

Work Program

Our review incorporated the following key financial management areas as required under Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*:

- Procurement (formal quotations and tender process)
- Contract Management
- Accounts Payable
- Cash Collection and Handling
- Payroll
- General Ledger Application Controls (journal posting, balance sheet reconciliations)
- Rates, Revenue and Debt Management
- Investment Management
- Asset Management (excluding infrastructure assets)
- Budget process

No other financial management systems and procedures were subject to review.

Review Conclusion

Based on our review (which was not an audit) of the management controls and processes that exist at the Shire of Capel, regarding the above key financial management system areas, nothing came to our attention that would indicate any **high-risk** management control matters that would require immediate attention by the Shire.

Based on the matters raised in the body of this report under Findings and Recommendations, we can conclude that the financial management systems in place within the Shire are satisfactory, however some areas can be further improved and several recommendations have been included in this review report for management consideration.

The matters raised in this review report were assessed as Medium and Low risk to the Shire.

For those identified matters we have recommended that the Shire should consider exploring the recommended process improvement options which have been incorporated within the body of this report.

Each finding has a recommended action except for those issues reported as “Observations”.

We believe that the Shire’s implementation of the suggested and recommended process improvements will strengthen the existing financial management controls that are currently in place and will provide greater overall governance within the Shire’s financial management operations.

Findings and Recommendations

Medium Risk Issues

1. Procurement: Compliance with Policy

Finding

During sample testing, we noted the following instances where sufficient information was not provided to confirm that an appropriate procurement method was followed in line with thew Shire's procurement policy.

These included:

- Binet Building Maintenance – Total payments to this supplier over a 12 month period (1/5/24 to 30/4/25) was $44,697. All individual expenditures were obtained via individual quotes.
- Golden West Plumbing & Drainage – Total payments to this supplier over a 12 month period (1/5/24 to 30/4/25) was $90,752.39. Only an amount of $8,835 was able to be referenced against an RFQ with the rest of the expenditure obtained via individual quotes.
- Southwest Fire Mitigation Services – Total payments to this supplier over a 12 month period (1/5/24 to 30/4/25) was $60,390.00. A total of $31,600.00 of the $60,390.00 was procured under an RFQ, the remainder were procured via individual quotes.

We also noted one instance (Oversby Consulting - $6,061) where under the Shire's procurement policy required 2 quotes to be obtained. However, these services were obtained via a direct purchase (no written quotations required) in this instance as the Shire expected the work to cost under $5,000.

We understand that the Shire does not currently have in place a process by which expenditure by supplier is reported to monitor and determine whether expenditure by supplier has got to a level that the Shire possibly should be considering going to the market via an RFQ or RFT in order to obtain best value for money. In these situations, there may be instances where the Shire is using a supplier to deliver services of a similar type but for small dollar values and if these values in total say over a 12 or 18 month period exceeds $50,000, the Shire may need to consider whether it would have received better value for money by testing the marketplace via an RFQ or RFT process.

Additionally, during sample testing we noted the following:

- Three (3) instances were found where the purchase order was dated and approved after the invoice, suggesting the PO was created retrospectively.

Recommendation

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 they were unable to be obtained that sufficient documentation is provided to justify the procurement. Also that al 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 test the market and possibly obtain better value for money.

Management Comments

We agree with the recommendation. In regard to 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 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" will be undertaken by the end of July 2025 and the implementation of supplier contracts will be undertaken following this based on priority.

Refresher training for the business will be scheduled to address purchase orders being raised after the invoice is received, this will be completed by October 2025.

2. Contract Management

Finding

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.

Further, the Shire does not have a formal contract register in place to record its contractual agreements. As such the Shire does not have visibility over the Shire's active contracts, contract expiry dates, actioning options to extend if such options exist, actioning renewal timeframes and/or to check that services are being invoiced in line with service contract agreed and awarded $ values.
Contract management procedures should incorporate the following step-by-step processes for:

- Contract formation requirements (when a formal contract should be formulated).
- Contractor performance management process (how each contract should be managed during the contract period)
- Contract variations process and approvals (how contract variations should be negotiated and the various approval levels required).
- Contract renewal/extension process and approvals (monitoring of contract expirations and the process of contract renewal approval)
- Post-contract assessments (the need to conduct supplier performance appraisals once a contract has expired)

Recommendation

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.

Management Comments

We agree with the recommendation. The Shire is currently planning the development of a master contract register, there is currently a de-centralised 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.

Low Risk Issues

3. Service Contracts

Finding

Based on our analysis of Shire payments made in the period of 1/5/24 to 30/4/25, we noted that the following 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:

- AMPAC Debt Recovery services
- Capel Cleaning
- Bunbury Harvey Regional Council

We believe that service contracts should be established between the Shire and a supplier where such services are on an ongoing basis or are of large $ value requiring ongoing management.

In the absence of any formal service contracts, it is not clear as to who is responsible for what and how such responsibility is to be initiated for monitoring of works for such services.

Further to the above, we also noted that an existing service contract for The Nightguard Security services expired 30 June 2024, however these services continued to be provided thought the 2024/2025 totalling $64,095 and no new service contract had been put in place nor was the existing service contract extended.

Recommendation

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

Management Comments

Agree with the recommendation. As mentioned above the Shire is looking into this and identifying services that require a service contract.

4. Accounts Payable: Procedures

Finding

While the Shire has documented procedures for its accounts payable function, these procedures do not adequately address the following processes:

- requirement 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.

Recommendation

We recommend that the Accounts Payable procedures be updated to incorporate clear guidance on the following:

- requirement to match the invoice to the PO before processing payment.
- handling variances by establishing defined approval thresholds for variances, documentation of justification and approval for any variances. We suggest that the Shire adopt both a % and also a minimum $ value variance and include this in the Shire's accounts payable procedures

Management Comments

We agree with the recommendation. 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.

Expected completion 30 September 2025

5. Revenue Collection & Cash Handling: Checking of Fees & Charges Input

Finding

Following the adoption of the Fees & 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.

Recommendation

We recommend that the Shire implement an independent checking process to ensure accuracy of all fees and charges entered into Synergy.

Management Comments

We agree with the recommendation. The Fees & Charges procedures will be updated to include an independent check of the data entered into the System.

Expected completion 30 September 2025.

6. Revenue Collection & Cash Handling: Debt Management Procedures Not Consistently Followed

Finding

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 required by the procedures. Again, this we believe is due to the small $ value of the amounts owing and also that the Shire has decided to leave these debts as outstanding and collect them when the debtor's property is sold.

We believe these swimming pool inspection charges should be included as part of residents rates notice and therefore are collected as part of the annual rates notices rather than being collected via the raising of debtor invoices

Recommendation

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.

Management Comments

We agree with the recommendation. The Debt Management procedures will be updated to clarify the type of debt, aging and amount required to be referred to debt collection.

Expected completion 30 September 2025

The inclusion of outstanding debts on rates notices will be considered within the new ERP system, due to current constraints with the existing.

7. Revenue Collection & Cash Handling

Finding

There is 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
- Boyanup Library

We discussed this matter with the Shire management and agree that due to the small $ value of cash collected at these locations CCTV's are 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.

Recommendation

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.

Management Comments

The Shire agrees with the recommendation. 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. This update is expected to be completed by early July.

8. Council Rates: Exempt Properties

Finding

The Shire does not have in place a process by which all of 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.

Recommendation

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.

Management Comments

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 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.

Expected completion 30 September 2025.

9. Asset Management: Security Over Major Mobile Assets

Finding

The Shire stores all of 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 works related minor equipment is also locked when not required and is secured within the Works Depot building.

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 also 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.

Recommendation

The Shire should ensure CCTV coverage over the Works Depot is continually progressed as a priority.

Management Comments

We agree with this recommendation and are in the process of building the supporting infrastructure to enable this for future budgets.

It should be noted that the Shire is working on the Community Crime and Safety Prevention Plan due to be endorsed November 2025, 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.

10. System Access

Finding

The Shire was not able to provide appropriate system access reports which shows the level of access (that is, read only or edit access) held by each staff 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 & 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.

Recommendation

We recommended 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.

Management Comments

We agree with the recommendation. 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 'baked in' to the new product.

Observations

Council Rates: Outstanding Rates

As at 29th of May 2025, the Shire has $269,584.97 of rates outstanding from prior years. The Shire provided general explanation for all rates outstanding from previous years which included financial hardship, payment arrangement with limited payment capacity, legal action with no goods to seize. The Shire also provided a spreadsheet which captures assessments that are on a payment arrangement. However, not all rates outstanding from prior years are on payment arrangements, and therefore it is not clear what follow up action has taken to date against those long outstanding rates that is not on payment arrangements.

Investments: Procedures

There is a documented procedure and checklist in place for investments. However, the procedure requires updating as it doesn't reflect the current practice being adopted by management.

Investments: Delegations

There is no delegation within the Delegation Register regarding investment of funds. The delegation to the CEO, Director of Community and Corporate and Manager Finance is addressed in the Investment policy. The Shire should capture all its delegations from the Council to the CEO and sub-delegations from CEO to staff in the Delegation Register.

CCTV over Point-of-Sale Systems

There is currently no CCTV installed at any of the Shire's cash collection locations. Cash collection locations include:

- Administration building front counter
- Dalyellup Library
- Capel Library
- Boyanup Library

Although not a Shire priority due to the level of cash received daily, they do serve as a deterrent and Shire consideration should be given.

Appendix A – Risk Criteria

The following risk criteria was used to assess level of risk on review findings included in this Review Report.

Risk Assessment Matrix

Likelihood of Risk:

Rating	Description	Frequency
1	**Rare** – May occur, only in exceptional circumstances	< once in 15 years
2	**Unlikely** – Could occur at some time	At least once in 10 years
3	**Possible** – Should occur at some time	At least once in 3 years
4	**Likely** – Will probably occur in most circumstances	At least once per year
5	**Almost Certain** – Expected to occur in most circumstances	> once per year

Consequence of Risk:

Description	Health	Financial Loss	Operation	Compliance	Reputation	Project
1.Observation	No injuries or illness	<$1,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.	Small variation to cost, timeliness, scope or quality of objectives and required outcomes.
2. Low	First Aid treatment	$1,000 to $5,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.	5-10% increase in time or cost or variation to scope objective requiring approval
3. Medium	Medical treatment required	$5,000 to $20,000	Significant delays to major deliverables	Breach requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact, moderate news profile.	10-20% increase in time or cost or variation to scope objective requiring Senior Management approval
4. High	Death or extensive injuries	$20,000 to $50,000	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3rd party actions.	20-50% increase in time or cost or significant variation to scope objective requiring restructure of project and Senior Management or Council approval
5. Severe	Multiple deaths or sever permanent disabilities	>$50,000	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, 3rd party actions.	>50% increase in time or cost or inability to meet project objectives requiring the project to be abandoned or redeveloped

Risk Exposure:

Risk = Likelihood x Consequence

Score	Level of Risk	Score	Level of Risk	Score	Level of Risk
1 - 8	Low	9 - 19	Medium	20 - 25	High

AUSTRALIAN AUDIT

2 July 2025

Samantha Chamberlain
Director of Community and Corporate Services Shire of Capel
31 Forrest Road
Capel WA 6271

Dear Samantha

Please find attached our Final Regulation 17 Review report for the Shire of Capel which now incorporates the Shire's management comments.

We would like to thank your staff for the positive cooperation provided to us during the review process and for promptly providing information requested during the conduct of this review.

Yours sincerely

Santo Casilli FCPA PFIIA
Associate Director, Internal Audit, Probity and Risk

Australian Audit

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Shire of Capel

Regulation 17 Review

2 July 2025

Final Review Report

(Review in Confidence)

Australian Audit

Table of Contents

Introduction

Australian Audit was engaged to undertake a review of the Shire of Capel risk management, internal control and legislative compliance as required to be undertaken as per Regulation 17 of the *Local Government (Audit) Regulations 1996*.

As per Regulation 17(1), (2) and (3) of the *Local Government (Audit) Regulations* 1996, the Chief Executive Officer (**CEO**) is required to undertake a review, at least once every 3 financial years, of the following processes:

- Risk Management.
- Internal Control; and
- Legislative Compliance.

The Shire of Capel (**the Shire**) uses SynergySoft as its accounting system.

The Shire's last Regulation 17 review was undertaken in 2022 which was performed by Assurance Advisory Group.

Scope and Methodology

The review undertook the following approach:

- Information relating to risk management, internal control and legislative compliance was requested from the Shire staff to assess adequacy of policies, procedures and overall control processes that are currently in place within the Shire.
- An Information Technology questionnaire was also sent to the Shire staff in order to assess the Shire's Information Systems General Control Environment.
- Discussion was held with the Shire staff regarding the process in place for ensuring that the Shire is continually in compliance with the Local Government Act and Regulation requirements including assessing the annual Compliance Audit Return (CAR) process.

The matters raised in this report are only those which came to our attention during performing our review and may not necessarily be a comprehensive statement of all the possible process improvement options that may exist in relation to the Risk Management, Internal Control and Legislative Compliance matters.

Our review was conducted in accordance with ASAE 3500 – Assurance Engagement Other Than Audits or Reviews of Historical Financial Information.

Our review report is provided to the Shire to enable the Shire to meet their statutory obligations under Regulation 17 and as such we do not encourage this report to be used for any other purpose.

Work Program

Our work incorporated the following areas for review as required under Regulation 17.

Risk Management

To establish that:

- A Governance Framework is in place and endorsed by the Audit and Risk Committee.
- A formal governance unit exists responsible for proper governance compliance.
- Satisfactory risk management and governance policies are in place and have been endorsed by the Audit and Risk Committee/Council.
- Operational and Strategic Risk Registers are in place and are being constantly reviewed and updated to mitigate risk.
- Regular development of risk reports and actions to address risks are identified and actioned and such actions are regularly communicated to and endorsed by the Audit and Risk Committee.
- Fraud Risk Identification and Prevention policies are in place including the establishment of a Whistle Blower policy.
- An effective Audit and Risk Committee exists, and proper Committee processes are in place and being complied with.

Internal Control

To establish that:

- A Delegation of Authority is in place, up to date and reviewed regularly.
- Proper and formal documented Shire Management polices (guidelines and procedures) are in place and are kept up to date.
- Internal assessment of control processes exists e.g., via an internal audit function or by the Shire's own Governance area.
- An Internal Control policy targeted for all employees, council and committee members on the importance of management controls.

Legislative Compliance

To establish that:

- The Compliance Audit Return (CAR) is properly completed each year and any non-compliance matters are investigated promptly and adequate action is taken to ensure similar non- compliance no longer occurs.
- The establishment of proper complaints policies and registers including gift policies and registers.
- Legislative compliance regarding all Local Government Act and Regulation requirements are continually monitored and regularly reviewed to ensure continual compliance.

Review Conclusion

Based on our assessment of the management controls and processes that exist at the Shire regarding the above three key areas of the Regulation 17 review, we wish to conclude as follows:

RISK MANAGEMENT

Positive Observations

- Risk Management Policy exists.
- Risk Management Framework is in place and is appropriate.
- Risk Management procedures are documented.
- Corporate Risk Register capturing strategic risks for the Shire has been developed. The risks are reviewed at the leadership meetings and also reported to the Audit, Risk and Improvement Committee.
- Insurance is held for workers compensation, public liability, personal accident and motor vehicle.
- A Fraud and Corruption policy is in place.
- Management Procedure document is in place for Public Interest Disclosure.
- Terms of Reference in place for Audit, Risk and Improvement Committee (ARIC). Standing agenda for ARIC includes review of the Corporate Risk Register. Although the Committee's Terms of Reference require updating to include the Committee's responsibility over risk monitoring.
- A Business Continuity Plan and a Business Systems Disaster Recovery Plan is in place.
- A Purchasing Policy is in place and is adequate for the needs of the Shire.
- A Code of Conduct exists for employees, Council Members and Committee Members.
- Induction programs exist for staff and elected members.

Areas for Improvement

- Operational risks at the Shire are not being systematically identified, assessed or monitored. The shire does have a risk register but these risks are considered to include high level risks and incorporate both strategic and operational type risks.
- The Audit, Risk and Improvement Committee's terms of reference needs reviews as they don't at present clearly outline or assign responsibility to the Committee for overseeing the Shire's risk management and monitoring activities.
- There is no evidence of regular testing done of the Business Continuity Plan and the Business Systems Disaster Recovery Plan to ensure the plans are workable and effective.

INTERNAL CONTROL

Positive Observations

- A Delegation register is in place and is reviewed annually.
- Policies are in place but require review on an ongoing basis.
- There are documented procedures in place but the Shire may need to develop more detailed procedures especially in the main areas of general ledger processing, Accounts payable, debtor recovery and cash handling.

Areas for Improvement

- The Shire has a range of policies and procedural documents in place. Some policies have not been reviewed since 2017, and several procedural documents are undated, making it unclear when they were last updated.
- As the Shire is progressing to a new ERP, Datascape, there is a good opportunity for the Shire to review and develop new procedures in line with the new system.

LEGISLATIVE COMPLIANCE

Positive Observations

- A good process is in place to complete the Compliance Audit Return (CAR).
- A Governance team exists at the Shire.
- A Compliance Management policy is in place.
- A gift register is maintained.

Areas for Improvement

- There is no formal mechanism in place to monitor legislative compliance. The shire should not just rely on the annual Compliance Audit Return and the 3 year Regulation 17 to determine its level of compliance with legislative compliance. Software like the Compliance Calendar or Attain, which the Shire has procured, should be utilised.
- The Shire's complaints management process is decentralised, lacks clear oversight, and does not include a central complaints register.

IT GENERAL CONTROLS ENVIRONMENT

Positive Observations

- IT Strategic Plan exist covering the period 2025 to 2030.
- Business Systems Disaster Recovery Plan is in place.
- Virus protection software is used and updated as soon as an update is released.
- Staff do not have access rights to install software or modify their machines. All modifications require a system admin (IT) to sign in and authorise.

Areas for Improvement

- The current level of procedure documentation related to IT operations is insufficient and need to be developed.
- The current software register does not capture all the software used by the Shire. The IT team was focused on gaining control of hardware assets before starting on 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 password have been

IT GENERAL CONTROLS ENVIRONMENT

- A policy is in place for Acceptable Use of Business Systems.
- User access is centralised with IT. It is managed through an onboarding and offboarding process with all exiting users being disabled the day of exit.
- Minimum complexity is set for passwords used. Passwords are required to renewed every 3 months. If password is not changed the user's account is automatically disabled. A maximum of 10 incorrect attempts is allowed before the user is locked out.
- User accounts for staff who are on leave for longer than 2 months are manually disabled to prevent intrusion.
- Access to main server is restricted.
- Back up procedures are documented. Back ups are conducted hourly.
- Staff aware that they are required to save all their work in specific dedicated drives so that the information is able to be backed up.
- All systems are set to lock after 5 minutes of inactivity.
- The Main admin building has two 3KVA units with 45 minutes each of up time as well as a trailer mounted building generator stored at the depot (about 10 minute turnaround). The new depot donga has a 1200VA UPS for the switch and internet router located there. the Dalyellup Library and irrigation system are both on 1200VA units.
- Internet usage is restricted as far as the firewalls actively track block up to date block lists. blocked is kept but not reviewed due to staffing 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 (yet 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 for this function.

Findings and Recommendations

The following matters were identified which have been reported below for consideration by Shire management:

Low Risk Issues

RISK MANAGEMENT

1. Risk Management: Operational Risk Register and Role of ARIC

Finding

The Shire has established a Corporate Risk Register. However, the risks identified in the Corporate Risk Register appears 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 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.

Recommendation

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 the 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 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.

Management Comment

Agree with the recommendation, 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 information is provided on mitigation and actions.

2. Risk Management: Testing of Business Continuity Plan and Business Systems Disaster Recovery Plan

Finding

A Business Continuity Plan and a Business Systems Disaster Recovery Plan is in place. The Business Continuity Plan was last reviewed in May 2022. 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.

Recommendation

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.

Management Comment

Agree with the recommendation. 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.

INTERNAL CONTROLS

3. Internal Controls: Policies and Procedures

Finding

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.

Recommendation

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 all policies and procedures are regularly evaluated and updated.

As the Shire is in the progress of replacing it's Synergy system with Datascape, it is timely that all of its operational procedures be subjected to review.

Management Comment

Agree with recommendation. 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 Council is intended to be completed by early 2026. Following on from this review an internal review of management procedures will be conducted to algin with the updates of Council policies.

4. IT General Control Environment

Finding

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, This document seeks to capture all relevant IT information at Shire. However, this document is not complete. The IT Dept have only been fully staffed in the past two months. The officers are currently focused cleaning up and procedures around the onboarding, offboarding and internal movement processes.
- The current software register does not capture all the software used by the Shire. The IT team was focused on gaining control of hardware assets before starting on 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 password have been blocked is kept but not reviewed due to staffing 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.

Recommendation

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.

Management Comment

Agree with this recommendation. There are several projects already planning in 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 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.

LEGISLATIVE COMPLIANCE

5. Legislative Compliance: There is no legislative compliance framework

Finding

There does not appear to be a Legislative Compliance policy in place to oversee that all required legislative matters are being continually complied with. 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 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.

Recommendation

Consideration should be given to the implementation of a Legislative 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.

Management Comment

The Shire has a Legislative Compliance Management Procedure, which was a Council Policy previously, however, identified to revoke and transferred to a Management Procedure. This was done due to the subject matter relates to 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 by September 2025.

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.

6. Legislative Compliance: Complaints Management

Finding

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.

Recommendation

We recommend that the Shire assign a designated officer or team to oversee the complaints process. This role should include registering complaints, coordinating investigations, ensuring timely responses and following up on unresolved issues.

The Shire should also develop A 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.

Management Comment

Agree with the recommendation. The Shire's complaint management processes will be reviewed to ensure clear procedures are in place and a 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.

Observations

IT: Staff Computer Log in IDs

Our review of the current staff logons identified the following persons who are not in the Shire's current employee listing, as provided by the Shire's HR team, but still have logon access to the Shire's computer systems. These persons maybe contractors or Councillors and therefore do not show up on the Shire's employee listing.

The Shire should check this list to remove logon access still provided but no longer requiring such access as a result of no longer being employed or have any activity on behalf of the Shire.

First name	Last name
[redacted]	

Appendix A – Risk Criteria

The following risk criteria was used to assess level of risk on review findings included in this Review Report.

Risk Assessment Matrix

Likelihood of Risk:

Rating	Description	Frequency
1	**Rare** – May occur, only in exceptional circumstances	< once in 15 years
2	**Unlikely** – Could occur at some time	At least once in 10 years
3	**Possible** – Should occur at some time	At least once in 3 years
4	**Likely** – Will probably occur in most circumstances	At least once per year
5	**Almost Certain** – Expected to occur in most circumstances	> once per year

Consequence of Risk:

Description	Health	Financial Loss	Operation	Compliance	Reputation	Project
1.Observation	No injuries or illness	<$1,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.	Small variation to cost, timeliness, scope or quality of objectives and required outcomes.
2. Low	First Aid treatment	$1,000 to $5,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.	5-10% increase in time or cost or variation to scope objective requiring approval
3. Medium	Medical treatment required	$5,000 to $20,000	Significant delays to major deliverables	Breach requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact, moderate news profile.	10-20% increase in time or cost or variation to scope objective requiring Senior Management approval
4. High	Death or extensive injuries	$20,000 to $50,000	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3rd party actions.	20-50% increase in time or cost or significant variation to scope objective requiring restructure of project and Senior Management or Council approval
5. Severe	Multiple deaths or sever permanent disabilities	>$50,000	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, 3rd party actions.	>50% increase in time or cost or inability to meet project objectives requiring the project to be abandoned or redeveloped

Risk Exposure:

Risk = Likelihood x Consequence

Score	Level of Risk	Score	Level of Risk	Score	Level of Risk
1 - 8	Low	9 - 19	Medium	20 - 25	High

6.4. Contaminated Sites Management

Author	Manager Parks, Waste & Natural Environment, Josh Connah
Authorising Officer	Director Infrastructure and Development, Matt Young
Nature of the Decision	Executive/Strategic
Attachments	Nil
Confidential Status	*This item is not a confidential matter.*

Proposal

The Committee is requested to consider a range of actions to formalise the ongoing assessment, registration and management of contaminated sites within the Shire, inclusive of better community education.

Officer's Recommendation

That the Audit, Risk and Improvement Committee recommend the following strategic recommendations for Officers to:

1. Prepare a draft Contaminated Sites Management Policy which addresses the regulatory requirements and aligns with the Shire's broader sustainability initiatives, to be endorsed by Council.
2. Ensure that comprehensive detailed site assessments to be updated or completed in consultation with Department of Water and Environmental Regulation.
3. Develop a prioritisation framework for all contaminated sites to inform future funding in the Long Term Financial Plan.
4. Develop a community engagement program to inform the community on potential risks associated with contaminated sites and a campaign around illegal dumping of contaminated and other waste.

Background

The Shire of Capel has management responsibility for numerous reserves that have a statutory 'contaminated site' classification. These sites pose risk liability to the Shire and have been identified in a Review of Risk Management, Legislative Compliance and Internal Controls (Moore Stephens, October 2018) as needing a risk assessment. Council Policy 2.25 – Climate Change Adaptation and Sustainability identifies the management of contaminated sites to mitigate risk to humans and the environment as a climate change adaptation and sustainability priority focus area.

There were 13 contaminated sites listed in the Shire of Capel 2017/18 Financial Report as Contingent Liabilities, with the value and timing of remediation being uncertain. However, some of these notably the road reserves, have since been removed from the Shire's responsibility, with management being taken over by Iluka. The Colroys' site has been classified as '*Contaminated – Remediation Required*' however, this falls within private property and the Main Roads Road Reserve and therefore is not the Shire's responsibility.

This report reviews the previously adopted recommendations for establishing a risk profile for Shire-controlled contaminated sites, with the aim of informing subsequent budget allocation decisions for inclusion in future Long Term Financial Plans.

Previous Committee Decisions

CC04/2020 COMMITTEE DECISION – 6.3

That the Committee recommend the following for Council adoption;

1. That the risk profile for R14054 Prowse Road, Capel – Shire Depot be upgraded from 'moderate' to 'high';
2. That the Council review the closed road status of Parcel 22757 – Fennel Road in early 2020/21;
3. That the Council consider assigning $120,000 in 2022/23 in the LTFP to undertake an investigation of R21929 Weld Road to determine future rehabilitation needs;
4. That Council consider assigning $60,000 in the 2020/21 budget to undertake an investigation of R14054 Prowse Road, Capel (Shire Depot) to determine future rehabilitation needs and in order to meet timeframe specified under 'action required' of the current classification within the DWER correspondence to the Shire;
5. That Council consider assigning $150,000 in 2021/22 in the LTFP for drainage works at the Shire Depot to mitigate erosion and community exposure to asbestos fragments and comply with the Shires adopted Asbestos Management Plan;
6. That the Council consider assigning $850,000 in a future year of the LTFP for the surface treatment of the Shire Depot to mitigate ongoing exposure to asbestos cement material and address the risk to staff working at the site as per the Asbestos Management Plan;
7. That Council consider assigning $15,000 in the 2029/30 in the LTFP for a post closure management plan for R24100 Gray Road, Boyanup;
8. That Council consider assigning $100,000 in 2028/29 for a Detailed Site Investigation in the LTFP for R31012 Harewoods Road, Dalyellup to determine future rehabilitation needs; and
9. That Council endorses the updated risk profile for Shire controlled contaminated sites incorporating a summary of indicative costing and scheduling of future proposed investigations and management works in the attachment to this agenda report.

Decision Framework

Shire of Capel Strategic Community Plan 2023-2033 -

Direction 2 - Manage and protect our environment -
2.1 Improved management of our natural environment assets and attractions.

Corporate Business Plan 2024-2028

PWNE 9 - **Review and Update existing Natural Reserve Management Plans. Prepare additional Plan as necessary. Implement improvement Actions** - Prepare a hierarchical strategy for the maintenance of all Bushland Reserves managed by the Shire and determine the service delivery needs of each Reserve.
PWNE 21 - **NRM - Manage Contaminated Sites** - Finalise Boyanup Rubbish Tip Post Closure Rehabilitation Plan.
PWNE 22 - **NRM - Manage Contaminated Sites** - Contract services for Detailed Site Investigations and subsequent mitigation actions at 2 named Medium or High Risk contaminated sites.

PWNE 23 - **NRM - Manage Contaminated Sites** - Oversee delivery of Detailed Site Investigations and subsequent mitigation actions for Contaminated Sites.
PWNE 24 - NRM - Manage Contaminated Sites - Manage contaminated sites register.

Statutory Framework

Local Framework

There are no local frameworks relevant to this item.

State Framework

- Contaminated Sites Regulations 2006.
- State Planning Policy 2.6 State Coastal Planning Policy.
- State Planning Policy 2.5 Rural Planning.
- State Planning Policy 3.0 Urban Growth and Settlement.
- *Contaminated Sites Act 2003.*

Federal Framework

There are no Federal frameworks relevant to this item as Western Australia manages contaminated land under its own State-based legislation.

Policy Framework

The following Shire Policies apply:

- Risk Management Framework.

Implications

Risk Implications

Risk	Likelihood	Consequence	Mitigation
Risk 1 Financial **Rating:** Medium	Possible	Major	Build in a remediation fund to assist with the ongoing management & remediation. Doing so would eliminate the potential for financial penalties for non-compliance.
Risk Description: The long-term financial risks are associated with not implementing monitoring and remediation works. It could open the Shire up for criticism and impact their ability to secure funding and grants in the future.			
Risk 2 Reputation **Rating:** High	Likely	Moderate	Be clear and transparent. Ensure the Shire meets all mandatory reporting requirements linked to the management of contaminated sites.
Risk Description:			

Non-compliance may draw scrutiny from the Department of Water and Environmental Regulation (DWER) and the Department of Health, who may publicly identify the Shire as non-compliant or at risk of enforcement actions. It could also lead to negative community perception and reduced trust in the Shire's governance. To mitigate this risk, the Shire must prioritise ongoing compliance, transparent communication, and timely implementation of recommendations from site investigations and environmental reports.			
Risk 3 Legislative Compliance **Rating:** Medium	Likely	Moderate	Ensure all the Shire meets all mandatory reporting requirements. Review recommendations and update reports as required. Report incidents and changes in circumstances around planning and developments.
Risk Description: Non-compliance with DWER regulations and reporting requirements.			

Opportunity: If Council endorses the updated risk profiles and formally acknowledges the current gaps in site management and data, it will enable a more transparent and accountable approach to contaminated site governance. This endorsement will form the foundation for proactive forward planning, allowing the Shire to integrate a sustainable, long-term strategy that addresses environmental, financial, and community health considerations.

By developing both financial and risk management frameworks, aligned with the Shire's broader sustainability and asset management goal, the Council will be better positioned to identify priority sites, allocate appropriate resources, and plan remediation efforts in a structured, cost-effective manner. This forward-thinking approach not only reduces the likelihood of unforeseen costs and compliance breaches but also supports the development of a safer and more resilient environment for staff, residents, and future land users.

Endorsing the revised profiles provides the opportunity to embed contaminated site management into the Long-Term Financial Plan (LTFP), enabling the allocation of funding over time, rather than responding reactively to emerging risks. It also facilitates alignment with the Shire's Risk Management Framework, ensuring that human health and environmental risks are appropriately assessed, monitored, and mitigated.

There are three notable increases in the Shire of Capel's contaminated site risk profile, each driven by a combination of evolving external and internal factors. These elevated risks are primarily associated with:

1. **Development of Adjacent Areas** – New subdivisions, infrastructure projects, and urban expansion near contaminated sites heighten the potential for human exposure and environmental impact. This proximity triggers the need for re-evaluation of risk levels and, in some cases, increased regulatory oversight or additional site controls.

2. **Increased Public Use and Site Visitation** – Recreational areas near legacy landfills or historically used sites are seeing higher visitor numbers, raising the risk of incidental contact with contaminated media. This trend calls for improved site controls, more frequent inspections, and public education to minimise potential exposure.

Some of the risk scores have increased, utilising the Department of Water and Environmental Regulations *'Identification, reporting and classification of contaminated sites in Western Australia – Contaminated Sites Guidelines' risk* assessment methodology (see table 1).

Table 1. DWER's Risk Assessment Tool for the classification of contaminated sites (DWER, 2017)

Assessment Criteria	Description	Score
DWER Classification	contaminated – remediation required	**3**
	contaminated – restricted use	**2**
	remediated for restricted use	**1**
	possibly contaminated – investigation required; or suspected	**0**
Sensitivity to human health	Documented health risks present	**3**
	Suspected health risks documented but not verified	**2**
	Possible health risks not quantified	**1**
	No known or suspected health risks	**0**
Sensitivity to ecological systems	Documented ecological impacts present	**3**
	Suspected ecological impacts but not verified	**2**
	Possible ecological impacts not quantified	**1**
	No known or suspected ecological impacts	**0**
Sensitivity to existing / Proposed land uses	Land use cannot be utilised due to contamination	**3**
	Land use compromised by contamination	**2**
	Land use impact unknown	**1**
	Land use not affected	**0**
Potential for migration off site	Documented records of contamination mobility	**3**
	Suspected contamination mobility but not verified	**2**
	Contamination mobility not quantified	**1**
	Contamination is fixed to site	**0**
Level of community concern	A broad representation of the community is highly concerned / interested	**3**
	A broad representation of the community is somewhat concerned / interested or a group of the community is highly concerned / interested	**2**
	Community stakeholders are somewhat concerned / interested	**1**
	The is little community concern / interest	**0**
Confidence in data / information	There is no or very little information on the site	**3**
	Documentation meets statutory obligations only	**2**
	The site has additional documentation contributing to mitigation management	**1**
	The site has comprehensive management plans	**0**
Mitigation management	The site has no intervention treatments	**3**
	The site is maintained to basic service levels	**2**
	The site is treated to higher service levels due to the contamination risk	**1**
	The site is managed in accordance with a comprehensive management plan	**0**

Table 2. Updated contaminated site risk rating for primary sites using Policy 2.28 Risk Management Framework.

Contaminated Site and Location	DWER Classification	Sensitivity to human health	Sensitivity to ecological systems	Sensitivity to existing / proposed land uses	Potential for migration off site	Level of Community concern	Confidence in data / information	Mitigation management	Risk Profile
R15634 and R51545 -Goodwood Road, Capel – Capel recreation Ground	1	**2**	0	0	1	1	1	1	Moderate (8 pts) Low (5 pts)
R21929 Weld Road, Capel (Cnr East Road)	1	1	1	2	1	1	3	2	Moderate (12 pts)
R14054 Prowse Road, Capel – Shire Depot	3	3	0	3	1	1	2	2	High (15 pts)
R24100 Gray Road, Boyanup – Old tip site	2	**2**	1	2	2	2	2	2	**High (15 pts)** Mod - (11pts)
R24529 Range Road, Capel - WTS	2	**3**	**3**	0	3	1	1	1	**High (14 pts)** Low -(5pts)
R31012 Harewoods Road, Dalyellup	2	1	1	0	1	1	3	2	Moderate (11pts)

In addition, there is a growing concern regarding the under-reporting or delayed identification of past contaminating events, which can compromise the Shire's ability to fully assess and manage environmental and public health risks. Together, these factors contribute to an increasingly complex risk environment, requiring proactive planning, regular reassessment of site classifications, and transparent communication with regulators and the community.

Capel Recreation Ground – Goodwood Road, Capel (Low Risk to Moderate Risk)

There were several site reports completed, including the Construction Environment Management Plan (CEMP) and a Site Management and Occupational Health and Safety Plan (SMOSHP). These reports were submitted to DWER and were awaiting approval and endorsement from the Radiation Council regarding dust monitoring and the safe work procedures.

There have essentially been no additional reports of radiation monitoring completed on this site since 2018. It is difficult to ascertain if any of the safe work procedures have been implemented or updated since the radiation reports were submitted to the Radiation Council.

R24100 – Boyanup Landfill Site – Gray Road, Boyanup (Moderate Risk to High Risk)

The Preston River Rise development and its proximity to the historical Boyanup Landfill site, which was used as a putrescible landfill site. The site has been capped with clay fines sourced from the mineral sands residue dam, containing thorium which poses a potential radiological risk. There are also restrictions in place around groundwater extraction with monitoring indicating there are elevated nutrients and metal concentrations that exceed drinking water criteria and non-potable uses.

R24529 – Waste Transfer Station - Range Road, Capel (Low Risk to High Risk)

The Capel Waste Transfer Station (Reserve 24529) along Range Road is subject to regulatory oversight as a contaminated site and is managed in accordance with its licensing obligations under the Department of Water and Environmental Regulation (DWER).

As part of the DWER-issued licence for the operation of the Waste Transfer Station, groundwater and landfill gas monitoring are compliance requirements. The licence stipulates that groundwater monitoring should be conducted biannually, with at least five months between sampling rounds to ensure seasonal variability is captured. However, the Shire is currently undertaking groundwater monitoring on an annual basis, which does not meet the specified licence conditions. This discrepancy needs to be addressed to ensure full compliance with DWER licence requirements.

In 2022, DWER implemented a streamlined process designed to reduce regulatory reporting burdens for licensees. However, there appears to be uncertainty regarding whether this streamlined approach applies to the contaminated site reporting obligations specifically related to the Waste Transfer Station.

Clarification from DWER may be required to determine whether these reforms affect ongoing monitoring and reporting for contaminated sites such as this one. In addition to groundwater monitoring, DWER's Basic Summary Records for the site indicate that landfill gas monitoring (LGM) should also be undertaken. Notably, the current Waste Transfer Station licence does not explicitly require LGM as a condition.

Completed reports:
2017 – Landfill Gas and Vapour Risk Assessment (GHD, 2017).
2018 – Site Management Plan – Waste Transfer Station (SERS, 2018).

Site	Classification	Risk Profile	Management Arrangements	CONSIDERATIONS
R15634 and R51545 Goodwood Road, Capel – Capel Recreation Ground	Remediated for Restricted Use	**Moderate** *(Low)*	Site Management Occupational Health and Safety Plan, Construction Environmental Management Plan, and Radiological Survey have been completed. Future Management Implications: DWER have not received the above-mentioned documents therefore, we are required to work by the previous Basic Summary Records Response - 2.4 hr max exposure with PPE requirements.	Safety Plan needs to be developed for the site and those Shire of Capel staff and contractors who undertake maintenance and disturbance works to adhere to.
R21929 Weld Road, Capel (East Road)	Possibly Contaminated - Investigation required	Moderate	Detailed Site Investigation, Ongoing Site Management Plan and Construction Environmental Management Plan Completed in 2022. Incremental improvements to site to be undertaken, including removal of asbestos, levelling, fence repairs and improved fire break access. Approved Dog Exercise Area.	Biannual Inspections - $3,000 Initial remediation costs - **$50,000 budgeted 25/26 FY** Remaining ongoing costs - Unknown
R14054 Prowse Road, Capel – Shire Depot	Possibly Contaminated - Investigation required	**High**	Review of the site development for future residential purposes. Address asbestos risk and dust. Address proximity to adjoining dwellings. DWER has reclassified with high urgency to complete DSI by 2021.	Initial remediation costs - $50,000 Ongoing management costs - Unknown

R24100 Gray Road, Boyanup – Old tip site	Contaminated - Restricted Use	**High** *(Moderate)*	Detailed Site Investigation completed in 2019. An Additional Detailed Site Investigation, Ongoing Site Management Plan and an Environmental Construction Management Plan are currently being undertaken. Development of the Preston River Rise subdivision has commenced increasing the risk Illegal dumping is an ongoing issue - reinstating the perimeter fence and rubbish removal is budgeted for 25/26 FY	Remaining ongoing costs - Unknown
R24529 Range Road, Capel - WTS	Contaminated - Restricted Use	**High**	Managed as a licensed Waste Transfer Station with annual groundwater monitoring. Ongoing environmental monitoring and regular reporting. Landfill Gas Risk Site Management Plan completed (no LGM undertaken).	**$30,000 for DSI for 25/26 FY** Additional funds required for dust suppression and any future remediation works
R31012 Harewoods Road, Dalyellup	Possibly Contaminated - Investigation required	Moderate	Detailed Site Investigation (2022), Ongoing Site Management Plan (2024) and Construction Environmental Management Plan (2024) Completed Managed as a low service level open grassland and Dog Exercise Area. Reserve Management Plan to be prepared. Adjacent sensitive receptors/land uses.	Funding required for additional inspections, uncovered surface material collection & disposal. Implementation of the dust suppression recommendation and management required - mulching of the area. Fences have been installed, maintenance of signage at strategic entry points.

Financial Implications

Budget

The financial implications relevant to this proposal for the 2025/26 financial year are outlined below.

25/26 Budget Allocations

R21929 Weld Road, Capel (East Road Sand Pit) • **Initial remediation works – utilising clean fill materials to cover and cap contaminated soils. Progressing to provide a robust surface cover with ongoing monitoring to remove any fragments that work to the surface.**	**$50,000**
R24100 Gray Road, Boyanup – Old Tip Site • **Illegally dumped rubbish removal - $30,000** • **Reinstate perimeter fencing along Gray & Trainer Road – $ 45,000** • **Install new Groundwater Monitoring Wells to a greater depth, where collapsed and defunct well locations - $15,000** ***Additional Detailed Site Investigation, Construction Environmental Management Plan, Ongoing Site Management Plan.*** ***- Annual water monitoring*** ***- Landfill Gas Monitoring*** ***- Planting and Dust Suppression***	**$90,000**
R24529 Range Road, Capel – WTS **For a Detailed Site Investigation required in relation to post-closure asbestos dumped within the Waste Transfer Station Site.**	**$30,000 (estimate)**
R31012 Harewoods Road, Dalyellup • **ACM inspection and emu bob collection for surface materials- $4000** • **Mulching of central contaminated areas, utilising green waste from Capel's WTS *(TBC)***	**$20,000**

Long Term

A specific value cannot be placed on all future expenditure due to the lack of up-to-date detailed site investigations (DSI) and ongoing management plans. However, standard industry pricing indicates an estimate of $30,000 per DSI subject to each site. A further report will follow to inform the committee of the future sites that should be prioritised over the next 5 years.

The ongoing monitoring requirements, which include groundwater, landfill gas and dust monitoring that will provide guidance on remediation strategies, allowing to make informed decisions to be made on planning and management strategies.

In many cases, the need for active remediation is triggered by changes in land use or surrounding development pressures, rather than by the risk of contamination alone. For example, the former Boyanup tip site has historically been used for open storage of green waste.

Under this passive land use, the site presented minimal risk and did not require extensive remediation. However, with a new residential housing development now occurring directly adjacent to the site, there are emerging expectations and regulatory pressures to manage the site more proactively. This includes further assessments, which are currently underway, and will provide an indication of what containment measures or remediation techniques that can be used.

A similar situation applies to the Harewoods Road landfill site. Recent events have highlighted the requirements for the increased frequency of inspections to monitor for any unauthorised activities like the construction of bike ramps and the likes that cause ground disturbance that increases the risk of releasing asbestos fibres.

Additionally, the installation of new signage is planned to educate the public about site restrictions, safety risks, and the importance of protecting surrounding natural assets.

These examples highlight the dynamic nature of contaminated site management. Even when immediate remediation is not mandated, changing land use contexts can trigger new obligations or escalate the level of management required.

The Shire will need to continue monitoring development patterns and community expectations to ensure its contaminated site management approach remains responsive, compliant, and risk based.

Aside from the known and recurring costs associated with annual groundwater and environmental monitoring; it remains challenging to accurately estimate the full remediation costs for several contaminated sites that are still undergoing assessment or awaiting final reporting. Until site investigations are complete and contamination risks are fully characterised, definitive remediation plans and associated costs cannot be finalised.

Sustainability Implications

Climate Change and Environmental

Contaminated sites can undermine the resilience of ecosystems and landscapes by the degradation of soil and water quality, with the potential to adversely affect local biodiversity, ecological function, and public health.

Social

Contaminated sites pose a range of social implications, particularly in relation to public health and community wellbeing. If not adequately identified, managed, or remediated, these sites can expose local populations to harmful substances through direct contact with contaminated soil, inhalation of airborne pollutants, or consumption of contaminated groundwater or food grown in affected areas.

Economic

The management of contaminated sites carries significant financial implications for the Shire, particularly where responsibility for remediation, monitoring, or ongoing risk management falls to the Shire. This lack of forward planning can potentially compromise the effectiveness of the Long-Term Financial Plan (LTFP), making it challenging to allocate resources efficiently or anticipate the costs associated with site investigations, remediation works, and long-term monitoring. As a result, unforeseen contamination-related expenses may place additional pressure on annual budgets, diverting funding away from other community priorities and capital works programs.

Asset

There are no relevant asset implications relevant to this item.

Consultation/Engagement

External Consultation

- Department of Water and Environmental Regulation.
- Department of Health.

Internal Consultation

Relevant managers from the following departments:

- Environmental Health.
- Planning.
- Parks, Waste and Natural Environment.
- Governance and Risk.

Officer Comment

The Shire is committed to sustainable development and environmental stewardship. As part of its broader climate change adaptation and sustainability efforts, the Shire faces challenges related to contaminated sites, particularly through the lack of formal policies and reporting frameworks. Although the Sustainability Framework 2023-2027 outlines strategies to reduce environmental impacts in certain areas, it does not directly address the environmental degradation caused by contaminated sites.

Failure to manage and maintain contaminated sites appropriately, in accordance with relevant legislative obligations, presents several strategic and operational risks to the Shire. These risks include reputational damage, non-compliance with statutory requirements under the *Contaminated Sites Act 2003* and associated regulations, as well as potential adverse impacts on the health and safety of Shire staff and the broader community. These matters are recognised within the Shire's Risk Management Framework and highlight the need for continued oversight, monitoring, and resourcing of contaminated site management activities.

A review has identified a few strategic recommendations that should be considered:

- Contaminated Sites Policy to be drafted and adopted by Council.
- Comprehensive site assessments to be updated in conjunction with DWER consultation.
- Develop a prioritisation framework for all contaminated sites to inform the LTFP.
- Develop a community engagement program to inform the community on potential risks.
- Align contaminated site management with the Shire's broader sustainability initiatives.

Summary

The Shire of Capel holds management responsibility for several reserves formally classified as contaminated sites under Western Australian legislation. These sites present varying levels of environmental and public health risk and carry associated legal and financial liabilities for the Shire.

The importance of establishing a structured, risk-based approach to the management of these sites was identified in the *Review of Risk Management, Legislative Compliance and Internal Controls* (Moore Stephens, October 2018), which highlighted the absence of a formalised assessment framework. In response, this report has revisited earlier recommendations and updated the risk classifications for key sites to provide a clearer basis for strategic planning and decision-making.

While thirteen contaminated sites were originally listed as contingent liabilities in the Shire's 2017/18 Financial Report, several road reserves—have since transitioned to the management of other entities, including Iluka. Additionally, some high-risk sites, such as the Colroys site, fall outside the Shire's jurisdiction and are not its direct responsibility.

To meet statutory obligations, protect environmental and public health, and ensure long-term financial sustainability, it is recommended that Council endorses the proposed actions. These include formalising contaminated site management through policy development, improving site assessment processes, and incorporating a prioritisation framework into future financial planning. Endorsement of these measures will help mitigate risk and establish a more transparent, accountable, and sustainable approach to managing the Shire's contaminated land portfolio.

Voting Requirements

Simple Majority

Officer's Recommendation – 6.4.

That the Audit, Risk and Improvement Committee recommend the following strategic recommendations for Officers to:

1. **Prepare a draft Contaminated Sites Management Policy which addresses the regulatory requirements and aligns with the Shire's broader sustainability initiatives, to be endorsed by Council.**
2. **Ensure that comprehensive detailed site assessments to be updated or completed in consultation with Department of Water and Environmental Regulation.**
3. **Develop a prioritisation framework for all contaminated sites to inform future funding in the Long-Term Financial Plan.**
4. **Develop a community engagement program to inform the community on potential risks associated with contaminated sites and a campaign around illegal dumping of contaminated and other waste.**

6.5. ICT Strategy 2025-2030

Author	Manager Business & Technology Services, James Meakes
Authorising Officer	Director of Community and Corporate Services, Samantha Chamberlain
Nature of the Decision	Executive/Strategic
Attachments	1. DRAFT ICT Strategy 2025 30 [**6.5.1** - 15 pages]
Confidential Status	*This item is not a confidential matter.*

Proposal

The Audit, Risk and Improvement Committee is requested to endorse the attached Information and Communication Technologies (ICT) Strategic Plan 2025 -2030.

Officer's Recommendation

That Audit, Risk and Improvement Committee endorse the Information and Communication Technologies (ICT) Strategic Plan for the period 2025 - 2030.

Background

ICT strategic planning is essential to the long-term success of the Shire; it ensures that ICT is proactively recognising areas of both internal and public need, industry guidance and best practice while planning the Shire's future technology needs.

Internally the ICT team has always run its activities with a five-year horizon however they have never had external visible principles applied to them to ensure the long-term clarity and purpose is maintained.

The team recognised the need to develop an ICT Strategy in late 2021 however it wasn't until the 2023-24 Corporate business planning that quotes were sought, and budget allocated to have an external vendor design and create the ICT Strategic Plan. Through the Request for Quotation (RFQ) process, the finalised costing was beyond what was expected, and the internal resource requirements were beyond capacity to manage seeing the project postponed.

During the project planning phase for the 24/25 financial year, it was determined that the ICT team had the growth in skillset to internally to conduct this work, and it was scheduled for completion.

Furthermore, during FY2024/25, an interim external audit was conducted seeing audit findings reported around several ICT areas one being linked to the development of an ICT Strategy which was already in progress.

Previous Council Decisions

No previous council decisions exist for this item.

Decision Framework

Shire of Capel Strategic Community Plan 2023-2033

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 2024 – 2028

BTECH 2 - **TECH - ICT Strategic Plan** - Construction and annual updating of the ICT Strategic Plan.

Statutory Framework

Local Framework

There are no local frameworks relevant to this item.

State Framework

The WA Integrated Planning and Reporting (IPR) 2016 - ICT Strategic Framework.

Federal Framework

There are no federal frameworks relevant to this item.

Policy Framework

There are no Council policies relevant to this item.

Implications

Risk Implications

Risk	Likelihood	Consequence	Mitigation
Risk 1 Infrastructure / Systems / Utilities **Rating:** Medium	Unlikely	Major	The attached strategy describes how the ICT will plan, schedule and undertake activities in a strategic way to ensure solutions are fit for purpose, well communicated and considered.
Risk Description: The lack of long-term strategic planning creates a risk of losing track of critical projects and increases the likelihood of ad-hoc budget planning.			

Risk 2 Legislative Compliance **Rating:** High	Almost Certain	Minor	ICT project and budget processes are advertised and undertaken 4 months in advance of budget preparation, ensuring resource and financial implications are considered in advance of budget adoption.
Risk Description: The Integrated Planning and Reporting framework requires an ICT Strategy to be in place and inform other key strategic priorities.			
Risk 3 Reputation **Rating:** Medium	Almost Certain Likely Possible Unlikely Rare	Insignificant Minor Moderate Major Severe	All capital and operating costs are actively monitored during the year to ensure accuracy and outcomes are met. Longer-term and annualised projects are reviewed and recognised in advance through a budget 'bidding' process which allows ICT to fit needs to budgetary requirements.
Risk Description: Lack of long-term planning regarding the strategic management of ICT activities may lead to poor community outcomes or unnecessary expenditure.			
Opportunity: Adoption of this strategy assists in guiding the principles that ICT will use moving forward for all activities.			

Financial Implications

Budget

There are no financial implications relevant to this proposal however operational budgetary considerations will form part of the annual and long-term financial plans as each activity will vary in requirements and cost.

Long Term

There are no direct long term financial implications relevant to this proposal however operational budgetary considerations will form part of the long-term financial plan as each activity will vary in requirements and cost.

Sustainability Implications

Climate Change and Environmental

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

Social

There are no relevant social implications relevant to this item.

Economic

There are no relevant economic implications relevant to this item.

Asset

There are no relevant asset implications relevant to this item.

Consultation/Engagement

External Consultation

Several Local governments have been actively involved in this consultation process:

- City of Busselton.
- Shire of Ashburton.
- Shire of Dardanup.
- Shire of Harvey.
- Shire of Augusta-Margret River.
- Shire of Manjimup.

Consultation was conducted as part of an ongoing local government to local government ICT working group. The group shared advice and materials that assisted in the design and construction of this strategy.

Internal Consultation

Consultation has been conducted with relevant internal stakeholders, these being:

- ICT Team.
- Managers Team.
- Executive Team.

ICT Team was involved in the drafting, activity mapping and capability assessment. Managers and Executive were involved from a review and commentary perspective.

Officer's Comment

The ICT Strategic Plan has been presented to the Audit, Risk and Improvement Committee in recognition of its alignment with both previous and current audit findings relating to information technology governance, security, and operational effectiveness. Bringing the Plan to the Committee provides an opportunity to formally acknowledge the progress made in addressing key audit recommendations and demonstrates the Shire's proactive approach to improving ICT systems and practices.

The intent of this ICT Strategic Plan is to establish the principles which will underpin the ICT Team's decision-making processes when planning and operationalising activities during the next five years.

The ICT Strategic Plan details the commitment to utilising technology to continue improvements to service delivery and operational activities.

The ICT section of the Corporate Business Plan (CBP) and ICT annual operational plan will define the specific ICT related projects which will link with the strategic initiatives detailed in the Shire's Strategic Community Plan.

Informing strategy context

The ICT Strategy will also assist in defining several other key policies such as Cybersecurity, Privacy and Responsible Sharing (PRIS) and Artificial Intelligence as well as guiding internal activities that are scheduled to occur over the five-year period.

Summary

The ICT Strategy 2025-2030 is a key instrument in guiding ICT planning and investment, ensuring connection between the Shire's endorsed Strategic Community Plan and sustainable secure technology approaches across the organisation and broader Shire owned facilities.

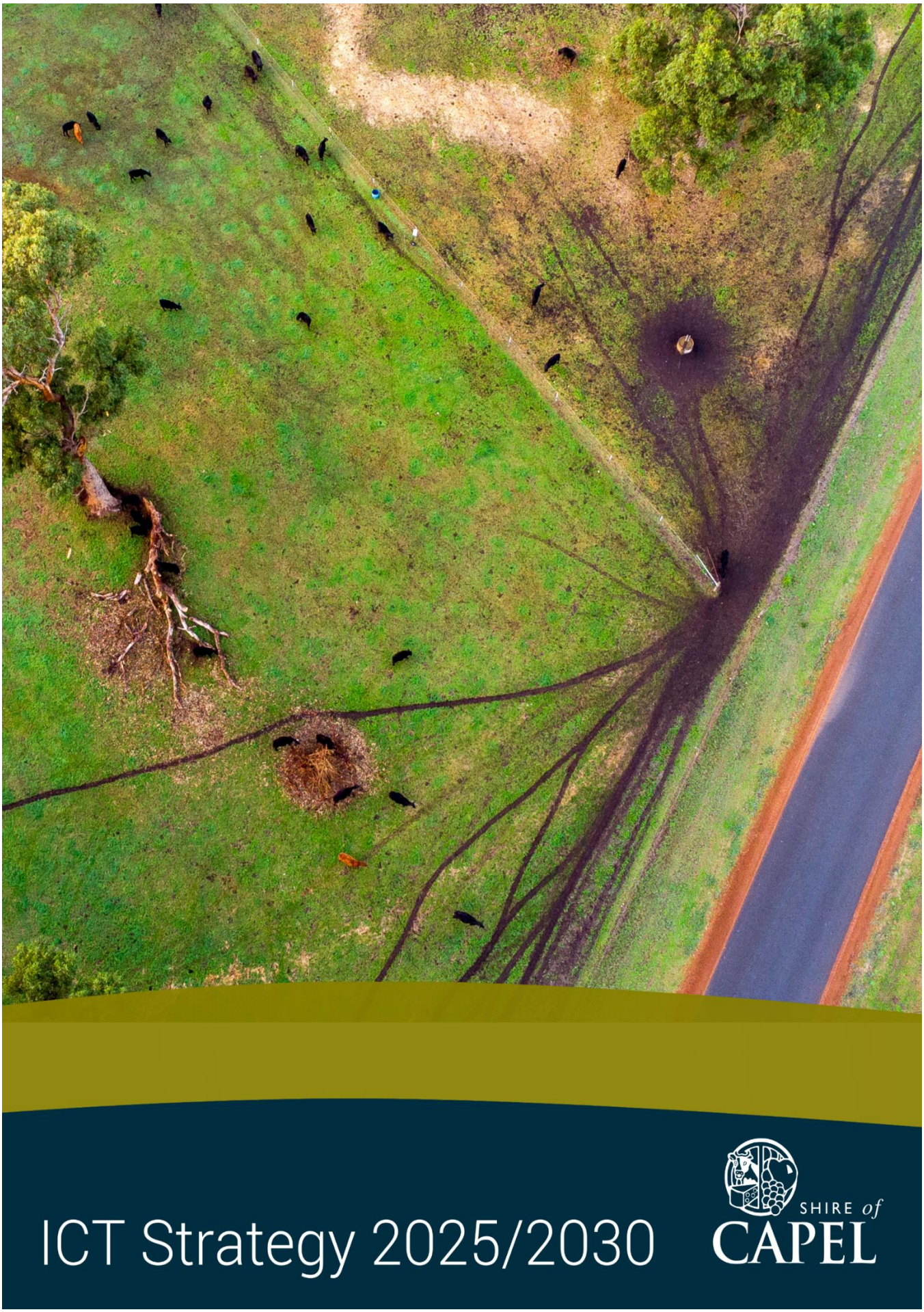
The ICT Strategy is included in the July Ordinary Meeting of Council Agenda for final adoption.

Voting Requirements

Simple Majority.

Officer's Recommendation – 6.5.

That Audit, Risk and Improvement Committee endorse the Information and Communication Technologies (ICT) Strategic Plan for the period 2025 - 2030.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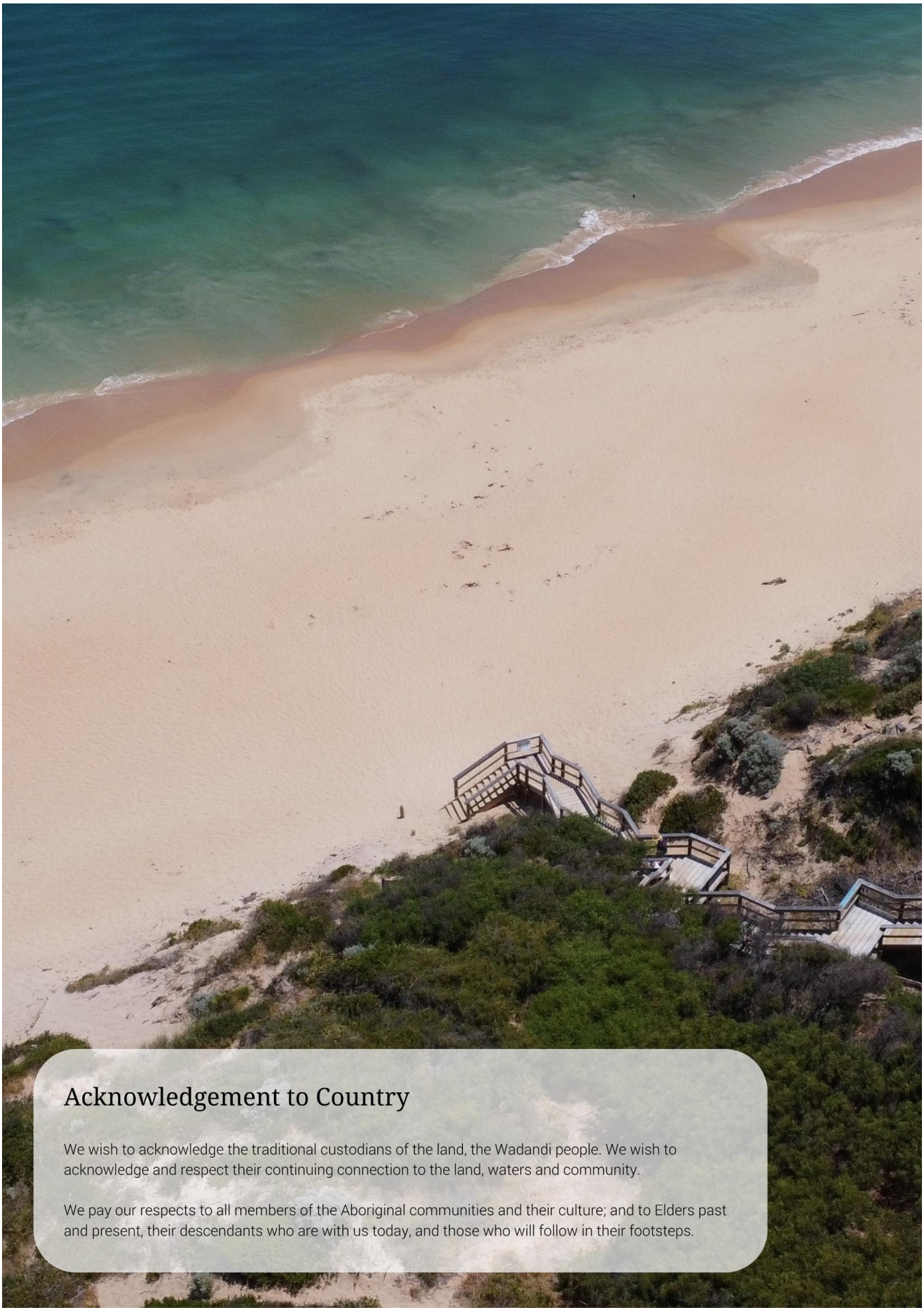


Acknowledgement to Country

We wish to acknowledge the traditional custodians of the land, 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.

Shire of Capel
ICT Strategy 2025- 2030

Table of Contents

Executive Summary

Information Communication and Technology (ICT) is critical in modern business, it plays a vital supporting role to key areas such as information transaction, customer interaction, service delivery and governance.

As the digital engagement expectations of the Shire and the public continue to evolve, we must invest to not only meet these expectations but also ensure integrity and sensitivity. With modern technology trends changing so rapidly the Shire must strike a careful balance to:

- Ensure strong security and compliance.
- Be cost effective
- Deliver positive and effective services to all customers
- Ensure the right tools are available and that the sensitive material we hold is protected to the highest standards.

The ICT Strategic Plan (the Strategy) is a key instrument in guiding ICT planning and investment areas, ensuring connection between the Shire's endorsed Strategic Community Plan (SCP) and affordable secure technology approaches.

Vision and Strategic alignment

This Strategy supports the Shire's vision to be a connected, innovative, and sustainable community. Key themes from the *Plan for the Future* that relate with ICT initiatives include:

- **Community Wellbeing**: Leveraging digital platforms to enhance service delivery and community engagement.
- **Sustainable Growth**: Implementing smart infrastructure solutions to support urban development and internal business development.
- **Governance and Leadership**: Ensuring transparent and efficient operations through digital transformation.
- **Environmental Stewardship**: Utilising ICT for environmental monitoring and resource management.

The Strategy is an 'Informing Plan' or an 'Strategic Enabler' for the Integrated Planning and reporting (IPR) framework and informs the following documents:

- Shire of Capel - Plan for the Future.
- Shire of Capel - Corporate Business Plan.
- Business and Technology Services Operational Plan.

This ICT strategic plan is intended to be reviewed annually over five years in line with budgetary schedules. Internal project scheduling and planning shall be conducted every six months culminating in this document's annual review.

Plan for the Future » Shire of Capel

Corporate Environment

The Shire of Capel ICT Team operates in a technical environment that is characterised by the following factors:

- Historical technical debt after a long term of under investment in digital technologies and staffing resources.
- An outgrown Enterprise Resource Planning solution.
- Increasing cybersecurity needs and legislative requirements.
- Backlogs and pressure to internal services teams due to staff growth.
- Staff adoption of Artificial Intelligence without guidance potentially leading to poor decision making.
- Increased internal capability for distributed communications and cloud storage.
- Rapid changes in technology changing service delivery models.
- Increased interest in working from home or remotely in the field.
- An expectation that the Shire will offer improved communication and means of engagement.

Public Environment

The Shire of Capel operates in a challenging technical environment that is characterised by the following:

- A growing demand from the community for more modern and more accessible services and facilities.
- Increasing expectation and awareness of cybersecurity protections within the public sphere.
- Increasing community expectations in relation to service levels and service delivery.
- Rapid changes in information technology changing the service delivery environment.
- Community expectation that the Shire will offer rapid communication and engagement.
- Highly engaged volunteering groups aiding and seeking support from the Shire.
- Increased compliance requirements due to Government policy and changing Legislation.
- Rapid population growth across the Bunbury-Geograph and Southwest Regions
- Climate change challenges and interest in the Shire's responses.

ICT Guiding Principles

This Strategy is built on three key principles, each covering an aspect of business requirements that ICT seek to serve and improve.

Foundational

Foundational goals can be seen in two forms, technological, and informational; these goals are intended to continue our functions as a Shire and to ensure a strong cost-effective foundation for the Shire to develop from.

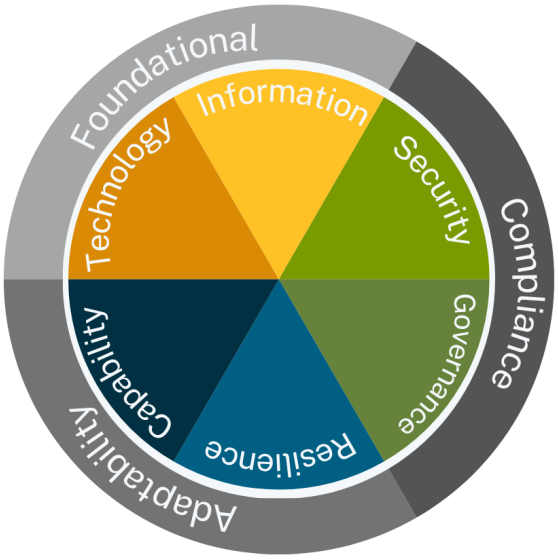
Compliance

Compliance goals ensure that ICT meets all legislation, standards and good practice. With the rapid growth of the technology sector, the Shire must ensure all activities are taken with consideration.

Adaptability

The ability for the Shire to remain adaptable and take advantage of technologies that improve capabilities is important. Goals in this area are focused on developing our capacity to take advantage but also our resilience to maintain work when challenges arise.

Each of these principles plays a key role in driving the activities ICT undertakes.



Foundational goals

Technology and Infrastructure

Technology forms the core pillar of what ICT does operationally however only reflects a small part of the actual work. Initiatives listed here are focused on improvements and maintenance.

Initiative	Key Outcome	Budgetary impact	SCP Link
Systems improvements are fit for purpose	Fit for purpose system improvements and replacement schedules to ensure systems are well utilised, supported, reliable and scalable.	✓	4.2
Systems are secure and reliable	ICT assets will be maintained regularly and enhanced with additional layers of security.	✓	4.1
ICT asset management	ICT assets will be digitally managed throughout their entire life cycle and assigned unique and traceable numbers.		4.1
Reliable and redundant infrastructure	Shire facilities will be interconnected in a reliable and secure manner to ensure operation. Solutions will be scoped to ensure potential future needs of the facilities.		5.1
Management of Bring your Own Device (BYOD)	Ensure BYOD is managed and consistent with modern cybersecurity and best for business approaches	✓	4.1
Enhance remote work capabilities for staff	Deliver secure, modern and easy to use solutions to improve staff's ability to work remotely while reducing technical complexity.	✓	4.1
More mature audio-visual capability	Continue to mature audio-visual engagement capabilities within the shire	✓	4.2
Improve customer engagement processes	Continuous improvement of general user and shared account login capability while establishing a zero-trust architecture.		1.1
Improve digital capabilities at Shire facilities	ICT will continue to modernise facilities for both public use and staff capability. These enhancements will be considerate of facility use and cost effectiveness.	✓	5.1
Enhance digital mapping capabilities	Continue to improve digital mapping both internally and to the public ensuring improved public engagement, clarity and interoperability.	✓	4.5
Develop and define a cloud first strategy	Consider all incoming systems for cloud first approach to reduce onsite costs and maintenance.	✓	4.1
Development and enhancement of a secure standard desktop environment	All devices provided within the Shire should have a standardised operating environment (SOE) developed to ensure enterprise security and consistent support.		4.1
Efficient deployment and maintenance of systems	All devices provided by the Shire will be asset managed, maintained and deployed in an efficient manner to simplify support and replacement.		4.1

Manage Information as a Strategic Asset

Information handling is key to the Shire's efficient decision-making processes. Initiatives listed here define focus areas for how ICT will better support information management and data handling practises for the Shire.

Initiative	Key Outcome	Budgetary impact	SCP Link
Deliver a modern and capable enterprise resource planning solution	Work with the whole of business to ensure the implementation and adoption of a modern and well considered enterprise resource planning solution including any additional integrations.	✓	4.2
Ensure business information is protected	Users and information will be maintained in a manner that is secure by design. Processes will ensure that access is considered and managed appropriately		4.1
Ensure security of information is maintained	Review and consider all data storage access to ensure privacy and sensitivity is maintained.		4.1
Data loss prevention	Continue improvements to the Shire's data retention and data leak awareness and prevention processes.	✓	4.1
Educate and training of employees	Assist other departments to define and be aware of information access and protections.		4.4
Artificial Intelligence governance and leadership	Lead the business in considered adoption of Artificial Intelligence (AI). Offer advisories, recognise and build capabilities in advance of business needs.	✓	4.1

Adaptability goals

Capability growth

Technology is a primary driver in business capability and service delivery. The Shire will take advantage of digital automation and improvements to make the most of its resources. Initiatives listed in this goal are focused on growing business capacity to deliver more and take advantage of new technologies.

Initiative	Key Outcome	Budgetary impact	SCP Link
Development of a mobile computing strategy / roadmap	Hardware and software procurement should assist with allowing mobile staff to work when offsite through portable devices such as tablets or in vehicle solutions.	✓	4.5
Enhance remote work experiences	Refine and continue improvements to remote access and cloud functionality to assist with flexible and modern working practises.	✓	4.1
Review and improve personal and bring your own device (BYOD) device options	Review and explore improvements to Bring Your Own Device (BYOD) practises to ensure security of information while balancing it with the modern workplace practises.		4.2
Customer centric design for software	Public facing software systems will be considered to increase engagement and improve interactive systems, reaching the public closer to where they are.		4.5
Ensure business information is protected	Users and information will be maintained in a manner that is secure by design. Processes will ensure that access is considered and managed appropriately		4.1
Standardisation of data storage	Internal data storage will be rationalised and standardised to agreed solutions ensuring a clear and easy to find information.	✓	4.2
Expansion and maintenance of SharePoint Intranet	Continue to lead the business adoption of SharePoint as its central intranet. ICT will maintain an internal stakeholder group to advise on structure and control.	✓	4.1
Research business opportunities created by emerging technologies	Investigate and report on potential opportunities created by modern Internet of Things (IoT) and other emerging technology solutions and how they could advance business objectives.	✓	1.1
Build a configure not customise approach	Select solutions that meet business needs but can be configured within parameters rather than customise solutions into bespoke and unsupportable setups.		4.1

Develop business wide resilience in digital solutions

Developing resilience in the Shire's digital systems is integral to ensuring protection of critical services and supporting the public when disasters occur. Initiatives in this goal are focused toward reviewing and reinforcing technology and people so that we are capable when disasters occur.

Initiative	Key Outcome	Budgetary impact	SCP Link
Improve disaster recovery services	While continuing a local backup solution investigate and consider migration to a disaster recovery as a service design.	✓	4.1
Executive cybersecurity disaster training	Design and maintain a training programme for disaster leaders in the Shire to ensure standardised and capable reactions when responding to any potential cyber security disasters.	✓	4.1
Improve backup strategy and processes	Review existing backup methodology seeking to improve redundancy and coverage as solutions move to cloud.	✓	4.1
Ensure integration wherever possible	Where software solutions are capable, integration should be a priority to ensure that data uses a 'source of truth' such as the ERP rather than segmented and non-standardised in stand-alone packages.		4.1
Improve digital resilience in facilities that are potentially emergency operation centres	ICT will work with the business to ensure that facilities nominated as emergency evacuation centres are held to a higher technological standard and capable of functioning in emergency situations.	✓	5.1

Compliance Goals

Maintain and enhance strong digital governance

Good governance is an integral part of building on established foundations, ensuring good documentation and clear policies will ensure that we not only meet our obligations but also anticipate and adapt faster to legislative and best practise requirements.

Initiative	Key Outcome	Budgetary impact	SCP Link
Documentation review and improvement	Documentation of all ICT procedures and activities will be documented and maintained. A single overarching document will be maintained to summarise key information to ensure clarity when engaging with new ICT staff or external ICT consultants.		4.1
Policy development	Develop a suite of policies and procedures that define priority topics such as cybersecurity, disaster recovery.	✓	4.2
ICT budget and project scoping	ICT projects will be scoped in advance of the financial year and represented in the annual budget in order to keep projects controlled and deliverable.		4.2
ICT Risk recognition and mitigations	Develop and maintain a specific ICT risk register to ensure that ICT risks are recognised.		4.1
Defining and improving data structures	ICT will review and re-define the method by which the Shire stores and handles (unstructured) non-records data, this structure will consider information distribution		4.1
Privacy and responsible information sharing (PRIS)	The Shire will adhere to all privacy and responsible information sharing (PRIS) requirements with ICT taking a lead role in the internal stakeholder group and its implementation.	✓	4.2
Business continuity integration	ICT will be a key stakeholder in the business continuity planning and its documentation. ICT will ensure updates to and from the process are included and any projects stemming from it will be addressed as priorities	✓	4.2

Ensure security is maintained

As the Shire grows ICT is responsible for leading and maintaining security while balancing this against the wants of the business.

Initiative	Key Outcome	Budgetary impact	SCP Link
Development of cybersecurity awareness and training programmes	ICT will design, implement and update a training programme for staff to ensure an awareness of the obligations and capabilities regarding the protection of the Shire from cybersecurity threats.	✓	4.1
External cybersecurity auditing	ICT will maintain an annual ICT audit process with every second year always being conducted by an external party. This audit will examine compliance with all legislative requirements.	✓	4.2
Developing maturity against the ACSC essential 8 matrix	ICT will continue to measure itself against the ACSC Essential 8 framework and work continuously to recognise and improve gaps.	✓	4.2
Establishment of a cybersecurity roadmap	ICT will develop and maintain a roadmap of cybersecurity activities and timelines needed to be completed. This roadmap must detail the activities, requirements and allocate resourcing to it.		4.2
Public access systems	Support will be maintained for all library public access systems including public computers and a public wireless network. These systems will be maintained at the highest security standards and be protect both the Shire's infrastructure and the individual user's information.	✓	1.4
Establishment and maintenance of digital surveillance systems (CCTV)	ICT will implement, maintain and monitor digital surveillance solutions within the Shire also known as closed circuit television (CCTV) systems. Systems will only be considered and implemented in line with Shire policy and best practise.	✓	1.4
Access control management and maintenance	Digital access control solutions will be designed, managed and maintained by the ICT team for the period of this plan. A solution will be drafted to enable handover of all systems to the facilities team.	✓	4.1
Enhance security measures within Office 365	Take more advantage of the built-in security tools provided as part of our Microsoft agreement.	✓	4.1
Logging and reporting improvements	Logging and reporting will be improved and become a scheduled and documented part of ICT practises with the business being notified on regular intervals.	✓	4.1
Mobile device Management enhancements	Enhance mobile device management to ensure compliance, seek improvements to ensure that data protections are maintained when BYOD is provided.	✓	4.1

Financial Considerations

During the last three years, the Shire has invested considerable funds into the ICT capabilities of the business to gain traction from previous under-investment and to plan for the ICT road map ahead which is detailed in this Strategy.

The process to financially plan for annual / future project delivery is aligned to the Shire's Corporate Business Plan, annual operational plans, annual budgets and the Long-Term Financial Plan.

Shire wide consultation occurs early during the year as we move into draft budget development phase to ensure Business Services captures and caters for all departmental IT requirements.

This Shire wide approach is crucial to understanding the IT needs cross the business, maintaining control and security of new applications and keeping control on the investments, ensuring value for money and compatibility with current business applications.

This is particularly important as we transition to a new Enterprise Resourcing Plan (ERP) investing $4m over a ten-year period in a new operating system which will transform the Shire's digital functions and capabilities.

This ongoing cost and other business operating / capital costs are planned for and will successfully drive the implementation and delivery of the Shire's ICT Strategy.

Conclusion

This ICT Strategy document details the Shire of Capel's approach and commitment to using technology to enhance service delivery.

By embracing innovative solutions, optimising our existing systems and having a sustainable financial plan to support ICT growth across the business, the Shire will be better positioned to achieve significant advancements in the availability of information, process efficiencies, and information security for our employees, elected members, customers and the community.

As we embark on this transformative journey, the Shire remains committed to the principles of strong foundations, adaptability and ensuring compliance. These principles will ensure our ability to enable a modern and digitally empowered organisation that can better respond to the evolving needs of our community, foster collaboration, and elevate the overall experience of engaging with our services.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SHIRE of
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7. Meeting Closure