

Kojonup



Audit, Risk and Improvement Committee Meeting

Agenda

1.00pm

22 September 2026

TERMS OF REFERENCE

AUDIT, RISK & IMPROVEMENT COMMITTEE (ARIC)

Established under Section 7.1 of the *Local Government Act 1995 (Act)* - every local government must have an Audit Risk & Improvement Committee (ARIC).

Terms of Reference

ARIC is responsible for assisting and independently advising Council in recommending appropriate actions, controls and improvements with regards to audit, risk oversight, governance, finances and systems of internal control.

Its role is to provide oversight related to significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary or requested by the CEO or Council. This is to ensure the Shire's activities are fully compliant with legislation, regulations, accounting and reporting Standards and that the Shire is executing its responsibility to the community in efficiently utilising their assets.

The ARIC is not responsible for the executive management of these functions. The ARIC will engage with management in a constructive and professional manner in discharging its advisory responsibilities and formulating its advice to Council.

The ARIC is an independent Committee of Council, advising Council on required improvements to ensure compliance.

Duties and Responsibilities:

Members of the ARIC are expected to observe the legal and regulatory obligations of the Local Government.

Committee members must not use or disclose information obtained through the ARIC except in meeting the ARIC's responsibilities, or unless expressly agreed by the President of the Shire.

Committee Members must adhere to the Code of Conduct for Council Members, Committee Members and Candidates and demonstrate behaviour which reflects the Shire's desired culture.

ARIC Members are expected to:

1. act in the best interests of the Shire as a whole;
2. apply good analytical skills, objectivity and good judgement;
3. express opinions constructively and openly, raise issues that relate to the ARIC's responsibilities and pursue lines of enquiry in relation to the "Risk Controls" the Shire has in place;
4. contribute the time required to meet their responsibilities; and
5. exercise due care, diligence and skill when performing their duties.

Member Duties/Responsibilities:

- Oversee the Shire's risk management, through:
 - a) Biennial review of the Shire's Risk Management Policy;
 - b) Recommending and reviewing the Shire's Risk Appetite Statement in order to recommend the organisation's Risk Tolerance to the Council;
 - c) Reviewing reports on the movement of the Shire's current strategic risks, and the emergence of new strategic risks;
 - d) Overseeing strategic risks which sit outside of the Shire's Risk Appetite ; and

- e) Monitor and receive reports concerning the development, implementation and on-going management of the Shire's Risk Management Plan and the effectiveness of its Risk Management Framework;
- Overseeing the Shire's processes for managing fraud and corruption, by:
 - a) Performing oversight responsibilities and advising Council;
 - b) Enquiring with the CEO and the Office of the Auditor General (OAG) about whether they are aware of any actual, suspected, or alleged fraud or corruption affecting the Shire; and
 - c) Reviewing summary reports from the CEO on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.
- Overseeing the Shire's financial management and legislative compliance, by:
 - a) Reviewing the Shire's annual Compliance Audit Return and reporting the results of that review to Council, in accordance with the Local Government (Audit) Regulations 1996;
 - b) Receiving and reviewing reports from the CEO regarding the appropriateness and effectiveness of the Shire's legislative compliance and ensuring any non-compliances are rectified on a timely basis;
 - c) Considering and recommending adoption of the annual financial report to Council;
 - d) Receive and review the biannual reports from the Chief Executive Officer (CEO) regarding the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance and make recommendations to Council; and
 - e) Consider and recommend adoption of the Annual Financial Report to the Council;
- Overseeing the internal audit function, by:
 - a) Assessing and making a recommendation to Council on an Internal Audit Plan to ensure that it comprehensively covers material business risks that may threaten the achievement of strategic objectives and which identifies key risks and control mechanisms;
 - b) Reviewing the quality and timeliness of internal audit reports;
 - c) Monitoring the implementation of internal audit recommendations; and
 - d) Considering the implications of internal audit findings on the organisation, its risks, and controls.
- Fulfilling responsibilities pertaining to external audit, by:
 - a) Reviewing reports from the OAG, including auditor's reports, closing reports and management letters;
 - b) Reviewing management's response to OAG findings and recommendations;
 - c) Monitoring the implementation of recommendations from external audits;
 - d) Reviewing results of relevant OAG audit reports and better practice publications for guidance on good practices, including any assessment by the CEO; and
 - e) Examine the reports of the auditor after receiving a report from the CEO on the matters and:
 - a. determine if any matters raised require action to be taken by the Shire; and
 - b. ensure that appropriate action is taken in respect of those matters.

Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee's terms of reference following authorisation from the Council.

- Fulfilling responsibilities pertaining to reviewing and advising on service area and process changes (Continuous Improvement) to ensure compliance, by:
 - f) Reviewing reports and reviews by the CEO on key service processes within the Shire;
 - g) Reviewing management's response to OAG findings and recommendations;
 - h) Monitoring the implementation of recommendations;
 - i) Reviewing results of relevant OAG audit reports and better practice publications on good practice, including any assessments by Management.

Membership

One (1) Independent Presiding Role (Presiding Member of Committee);
One (1) Independent Deputy Presiding Member Role;
Four (4) Councillors; and
One (1) Community Member (if required).

The independent roles will be advertised and selected by Council.

Supporting Team Members

Manager Financial and Corporate Services
Governance and Rates Officer
Chief Executive Officer or delegated nominee

Meetings

Quarterly for ordinary meetings and as required related to audit functions.

Voting: Voting is in accordance with Section 5.21 of the *Act*.

Confidentiality: All Committee members will be required to adhere to the Shire's confidentiality requirements as per the Code of Conduct for Council Members, Committee Members and Candidates.

Conduct of Meetings: ARIC Meetings will be held in accordance with the *Act*, subsidiary legislation, and the Shire's Standing Orders.

Committee Sitting Fees and Reimbursements

The Local Government Amendment Act 2023, assented to on 18 May 2023, changes the Local Government Act 1995 to provide for independent committee members to receive meeting fees. An independent committee member is a committee member who is not an elected member or an employee of the local government.

The Salaries and Allowances Tribunal (SAT) has issued a Determination to allow for the payment of meeting fees to independent committee members. Local governments will have the ability to set appropriate fees, within a specified range as determined by the SAT.

The Council will determine the amount of fees payable for independent members when it considers the budget fees and charges on an annual basis.

A sitting fee has been established at \$105 per meeting with reimbursement of approved expenses for independent members in accordance with Section 5.100 of the *Act* and the Salaries and Allowances Tribunal determination April 2025.

COMMITTEE TIMETABLE

As a guide, and subject to availability, each Audit, Risk and Improvement Committee agenda will contain the following (list to be expanded at the suggestion of members):

1st Quarter (January – March)

- Committee Status Report
- Compliance Audit Return
- Summary of Risk Management
- Volunteer Management
- Leave Provision Adequacy

2nd Quarter (April – June)

- Committee Status Report
- Summary of Risk Management
- Business Continuity Plan Review

3rd Quarter (July – September)

- Committee Status Report
- Interim Audit Report
- Summary of Risk Management
- Insurance Overview

4th Quarter (October – December)

- Committee Status Report
- Audit Report & Management Letter
- Annual Financial Report
- Annual Report
- Financial Management Review (each 3 years – 2021, 2024...)
- Risk, Legal Compliance & Internal Controls review (each 3 years – 2021, 2024...)
- Summary of Risk Management

The above list will remain at the commencement of each Committee agenda to act as a timetable and enable members to add to the items to be considered.

AGENDA FOR AN AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING TO BE HELD ON
22 SEPTEMBER 2026

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1. DECLARATION OF OPENING

The Presiding Member shall declare the meeting open at ____ and alert the meeting to the procedures for emergencies including evacuation, designated exits and muster points.

2. RECORD OF ATTENDANCE AND APOLOGIES

2.1 ATTENDANCE

MEMBERS

Pip Crook	Independent Presiding Member
Digby Stretch	Independent Deputy Presiding Member
Cr Roger Bilney	Elected Member Delegate
Cr Mick Mathwin	Elected Member Delegate
Cr Kerryn Mickle	Elected Member Delegate

SHIRE OFFICERS (OBSERVERS)

Grant Thompson	Chief Executive Officer
Judy Stewart	Governance Officer

MEMBERS OF THE PUBLIC (OBSERVERS)

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2.2 APOLOGIES

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3. SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

4. DECLARATIONS OF INTEREST

Nil

5. CONFIRMATION OF MINUTES

5.1 AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING HELD 17 JUNE 2026

Attachment 5.1.1 – Minutes of an Audit, Risk and Improvement Committee Meeting held 17 June 2026 - Unconfirmed

OFFICER RECOMMENDATION

That the Minutes of an Audit, Risk and Improvement Committee Meeting held 17 June 2026 be confirmed as a true record.

MOTION #:	
MOVED:	
SECONDED:	
VOTE:	
FOR:	
AGAINST:	

5.2 BUSINESS ARISING

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6. SENIOR MANAGEMENT TEAM DISCUSSION

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7. SUMMARY OF RISK MANAGEMENT

Nil update due to Chief Executive Officer being absent (on leave) at time of publication

8. COMMITTEE ISSUES/ACTION STATUS REPORT

Nil update due to Chief Executive Officer being absent (on leave) at time of publication

9. OFFICER REPORTS

9.1. COMPLIANCE AUDIT RETURN 2025

REPORTING OFFICER:	Judy Stewart – Governance Officer
DATE:	Wednesday, 09 September 2026
ATTACHMENT(S):	9.1.1 – Compliance Audit Return 2025

‘PLACEMAKING’ STRATEGIC COMMUNITY PLAN JULY 2023 TO JUNE 2033 To be <i>“The Cultural Experience Centre of the Great Southern”</i> STRATEGIC/CORPORATE IMPLICATIONS		
<i>Key Strategic Pillar/s</i>	<i>Community Goal/s</i>	<i>Corporate Objective/s</i>
Performance	12. A High Performing Council	12.2 SoK monitoring and reporting

DECLARATION OF INTEREST

Nil

PURPOSE OF THIS REPORT

The purpose of this report is for the Audit, Risk and Improvement Committee (ARIC) to consider the Shire of Kojonup’s (Shire) Compliance Audit Report (CAR) for the period 1 January 2025 to 31 December 2025 and make a recommendation to Council for submission of the CAR to the Local Government Inspectorate.

BACKGROUND

Completion (by the local government administration) of the CAR is mandatory for each local government in Western Australia and represents an annual (calendar year) self-assessment, as required under regulation 14 of the Local Government (Audit) Regulations 1996, for review and recommendation by Council’s ARIC and subsequent consideration and adoption by Council.

COMMENT

In previous years a local government’s CAR has been due for submission to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March of the year following the audit period. The current CAR (2025) submission represents an exception to the 31 March deadline due to the introduction of the Local Government Inspectorate (LGI) and a number of changes to statutory requirements for which the compliance audit is needed. Due to the change in reporting requirements, including from DLGSC to the LGI and the formation of a new portal for submission of the CAR following Council adoption, the deadline for submission of the 2025 CAR was extended to 30 September 2026.

The new CAR format categorises questions by instruments of legislation (rather than by operational areas as has previously occurred):

- *Local Government Act 1995*
- Local Government (Administration) Regulations 1996
- Local Government (Audit) Regulations 1996

- Local Government (Constitution) Regulations 1998
- Local Government (Elections) Regulations 1997
- Local Government (Financial Management) Regulations 1996
- Local Government (Functions and General) Regulations 1996

Responses are provided for each of the above instruments of legislation (as detailed in attachment 9.1.1).

The 2025 CAR has identified the following areas where action/improvement is required and have been/will be addressed:

Local Government Act 1995 -

- Review of Health Local Law prior to December 2026 (s. 3.16)
- Keeping written records when all delegated powers or duties have been used (s. 5.46)
- Forwarding of Auditor's Report (Report) to Minister within three months of it being received by the Shire/publishing a copy of the Report on the Shire website within 14 days of giving the Report to the Minister (s. 7.12A (4) (b))

Local Government (Administration Regulations) 1996 –

- Review of Corporate Business Plan (r. 19DA)

The ARIC is referred to the completed annual Compliance Audit Return for the audit period 1 January 2025 to 31 December 2025. Subject to and following Council's subsequent formal acceptance, the CAR will be lodged with the LGI by 30 September 2026.

CONSULTATION

Grant Thompson - Chief Executive Officer
 Jill Johnson – Deputy Chief Executive Officer
 Darryn Watkins – Manager Works and Infrastructure
 Estelle Lottering – Manager Regulatory Services

STATUTORY REQUIREMENTS

The Council is obliged to complete and submit the CAR in accordance with the *Local Government Act 1995* and the Local Government (Audit) Regulations 1996 (as amended by the Local Government Regulations Amendment Regulations [No.4] 2025):

14. Compliance audits

- (1) *A local government must carry out an audit (a compliance audit) of the local government's compliance with the statutory requirements prescribed by regulation 13 for the period beginning on 1 January and ending on 31 December in each year.*
- (2) *After a local government has carried out a compliance audit, the CEO must —*
 - (a) *prepare a compliance audit return in a form approved by the Inspector;*
 - and*
 - (b) *give a copy of the compliance audit return to the local government's audit, risk and improvement committee.*
- (3) *The audit, risk and improvement committee must —*
 - (a) *review the compliance audit return; and*
 - (b) *report to the council the results of that review.*
- (4) *When reporting to the council, the audit, risk and improvement committee must make any recommendations that the committee considers appropriate in relation to the compliance audit return.*

- (5) *The council must consider the compliance audit return and the results of the audit, risk and improvement committee's review (including any recommendations) at a meeting of the council.*
- (6) *The council must —*
 - (a) *determine if any matters raised by the audit, risk and improvement committee require action to be taken by the local government; and*
 - (b) *either —*
 - (i) *adopt the compliance audit return; or*
 - (ii) *adopt the compliance audit return subject to amendments proposed by the council.*

15. Signed compliance audit return and other information must be given to Inspector

- (1) *After a compliance audit return has been adopted by the council under regulation 14(6)(b), the local government must give the following information to the Inspector —*
 - (a) *a copy of the compliance audit return (or amended compliance audit return, if applicable), signed by the mayor or president and by the CEO;*
 - (b) *any recommendations made under regulation 14(4) after the audit, risk and improvement committee has reviewed the compliance audit return;*
 - (c) *a copy of the relevant section of the minutes of the meeting at which the compliance audit return was adopted by the council;*
 - (d) *any additional information explaining or qualifying the compliance audit.*
- (2) *The information must be given to the Inspector no later than 31 March next following the period to which the return relates.*
- (3) *The Inspector may extend the 31 March deadline.*

16. Functions of audit, risk and improvement committee

An audit, risk and improvement committee has the following functions —

- (a) *to receive and review reports on, and recommend to the council actions to be taken in relation to —*
 - (i) *audits under Part 7 of the Act; and*
 - (ii) *compliance audits; and*
 - (iii) *reviews under regulation 17;*

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

RISK MANAGEMENT IMPLICATIONS

RISK MANAGEMENT FRAMEWORK			
Risk Profile	Risk Description/Cause	Key Control	Current Action
3) Compliance	Failure to correctly respond to laws and regulations	Audit, Risk and Improvement Committee, Staff training, External audits (compliance)	Internal audits, Data collection
RISK RATING:	High		
IMPLICATIONS			
Should Council not adopt a Compliance Audit Return following recommendation by the Audit, Risk and Improvement Committee, Council will be in breach of its statutory obligation. Accordingly, the risk would be High.			

ASSET MANAGEMENT IMPLICATIONS

Nil

GREAT SOUTHERN VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION

That the Audit, Risk and Improvement Committee recommends to Council that:

- the Compliance Audit Return 2025 (CAR), as per Attachment 9.1.1, and any other relevant information if applicable, be adopted; and
- Council authorises the President and Chief Executive Officer to certify the CAR and cause it to be submitted to the Local Government Inspectorate by 30 September 2026 accompanied by the relevant section of Council meeting minutes wherein the CAR has been adopted and any other relevant information if applicable.

MOTION #:	
MOVED:	
SECONDED:	
VOTE:	
FOR:	
AGAINST:	

10. CEO UPDATES

10.1. INTERIM AUDIT REPORT AND FINDINGS – 30 JUNE 2026

Attachments:

UNDER SEPARATE COVER

(in accordance with the *Privacy and Responsible Information Sharing Act 2024*)

10.1.1 – Interim Management Letter (OFFICIAL) – year ended 30 June 2026

10.1.2 – Interim Management Letter Attachment (OFFICIAL Sensitive) – year ended 30 June 2026

11. OTHER ITEMS FOR DISCUSSION OR FURTHER RESEARCH AS RAISED BY MEMBERS

12. NEXT MEETING

The next meeting of the Audit, Risk and Improvement Committee is scheduled for 02 December 2026 at 9.00am.

13. CLOSE

There being no further business to discuss, the Presiding Member thanked the members for their attendance and declared the meeting closed at ____ pm.

Attachments:

5.1.1 Minutes of an Audit, Risk and Improvement Committee Meeting held 17 June 2026 - Unconfirmed

9.1.1 Compliance Audit Return 2025

UNDER SEPARATE COVER

10.1.1 Interim Management Letter (OFFICIAL) – year ended 30 June 2026

10.1.2 Interim Management Letter Attachment (OFFICIAL Sensitive) – year ended 30 June 2026

SHIRE OF KOJONUP



Audit, Risk and Improvement Committee

MINUTES

17 June 2026

Commenced at 10.00am

Shire of Kojonup Administration Office,

Reception Room

TERMS OF REFERENCE

AUDIT, RISK & IMPROVEMENT COMMITTEE (ARIC)

Established under Section 7.1 of the *Local Government Act 1995 (Act)* - every local government must have an Audit Risk & Improvement Committee (ARIC).

Terms of Reference

ARIC is responsible for assisting and independently advising Council in recommending appropriate actions, controls and improvements with regards to audit, risk oversight, governance, finances and systems of internal control.

Its role is to provide oversight related to significant risk exposures and control issues, including fraud risks, governance issues and other matters as necessary or requested by the CEO or Council. This is to ensure the Shire's activities are fully compliant with legislation, regulations, accounting and reporting Standards and that the Shire is executing its responsibility to the community in efficiently utilising their assets.

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1. act in the best interests of the Shire as a whole;
2. apply good analytical skills, objectivity and good judgement;
3. express opinions constructively and openly, raise issues that relate to the ARIC's responsibilities and pursue lines of enquiry in relation to the "Risk Controls" the Shire has in place;
4. contribute the time required to meet their responsibilities; and
5. exercise due care, diligence and skill when performing their duties.

Member Duties/Responsibilities:

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 - a) Biennial review of the Shire's Risk Management Policy;
 - b) Recommending and reviewing the Shire's Risk Appetite Statement in order to recommend the organisation's Risk Tolerance to the Council;
 - c) Reviewing reports on the movement of the Shire's current strategic risks, and the emergence of new strategic risks;
 - d) Overseeing strategic risks which sit outside of the Shire's Risk Appetite ; and
 - e) Monitor and receive reports concerning the development, implementation and on-going management of the Shire's Risk Management Plan and the effectiveness of its Risk Management Framework;

- Overseeing the Shire’s processes for managing fraud and corruption, by:
 - a) Performing oversight responsibilities and advising Council;
 - b) Enquiring with the CEO and the Office of the Auditor General (OAG) about whether they are aware of any actual, suspected, or alleged fraud or corruption affecting the Shire; and
 - c) Reviewing summary reports from the CEO on communication from external parties including regulators that indicate problems in the internal control system or inappropriate management actions.
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 - e) Examine the reports of the auditor after receiving a report from the CEO on the matters and:
 - a. determine if any matters raised require action to be taken by the Shire; and
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Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee’s terms of reference following authorisation from the Council.

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 - h) Monitoring the implementation of recommendations;
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Membership

One (1) Independent Chair Role (Presiding Member of Committee);
One (1) Independent Deputy Presiding Member Role;
Four (4) Councillors; and

One (1) Community Member.

The independent roles will be advertised and selected by Council.

Supporting Team Members

Manager Financial and Corporate Services
Governance and Rates Officer
Chief Executive Officer or delegated nominee

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The Local Government Amendment Act 2023, assented to on 18 May 2023, changes the Local Government Act 1995 to provide for independent committee members to receive meeting fees. An independent committee member is a committee member who is not an elected member or an employee of the local government.

The Salaries and Allowances Tribunal (SAT) has issued a Determination to allow for the payment of meeting fees to independent committee members. Local governments will have the ability to set appropriate fees, within a specified range as determined by the SAT.

The Council will determine the amount of fees payable for independent members when it considers the budget fees and charges on an annual basis.

At this point in time the meetings fees are \$0 (Zero). However, reimbursement of approved expenses for independent members may be paid to each independent external members in accordance with Section 5.100 of the *Act*.

ARIC MINUTES – 17 JUNE 2026

1 DECLARATION OF OPENING

The Presiding Member declared the meeting open at **10:00am** and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

2 ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

MEMBERS

Pip Crook	Independent Presiding Member
Digby Stretch	Independent Deputy Presiding Member
Cr Roger Bilney	Elected Member Delegate
Cr Mick Mathwin	Elected Member Delegate

APOLOGIES

Cr Kerryln Mickle	Elected Member Delegate
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STAFF (OBSERVERS)

Grant Thompson	Chief Executive Officer
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COMMUNITY OBSERVERS

Nil

3 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

4 CONFIRMATION OF MINUTES

Unconfirmed Minutes of an Audit & Risk Committee Meeting held 7 May 2025
(Attachment 4.1.1)

OFFICER RECOMMENDATION

That the Minutes of an Audit & Risk Meeting held 7 May 2025 be confirmed as a true record.

MOVED:	Cr. Bilney
SECONDED:	Cr. Mathwin
VOTE:	4/0 Carried
FOR:	Presiding Member Pip Crook, Deputy Presiding Member Digby Stretch, Cr Roger Bilney, Cr Mick Mathwin
AGAINST:	

5 BUSINESS ARISING

Nil

6 DECLARATIONS OF INTEREST

Nil

7 SENIOR MANAGEMENT TEAM DISCUSSION

In accordance with the Financial Management Review adopted in February 2019, one senior manager will attend the Audit Risk & Improvement Committee:

The CEO, Grant Thompson, gave a presentation on the Shire of Kojonup:

- Strategy & Strategic Issues
- Organisational Structure
- Risk Framework and Risk Profile
- Compliance Review Outcomes
- Internal Management Review on systems and controls
- Governance Improvement initiatives
- Financial Overview

8 COMMITTEE TIMETABLE

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4th Quarter (October – December)

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- Financial Management Review (each 3 years – 2022, 2025...)
- Risk, Legal Compliance & Internal Controls review (each 3 years – 2021, 2024...)

- Summary of Risk Management

The above list will remain at the commencement of each Committee agenda to act as a timetable and enable members to add to the items to be considered.

Unconfirmed

9 COMMITTEE ISSUES/ACTION STATUS REPORT (Attachment 9.1.1)



**SoKO
ARIC
ISSUES / ACTION
REGISTER:**

Issue / Action #	Issue Description	Actions	Actions Assigned Owner	Due By Date	Category	Priority	Urgency	Action Approved	Risk	Comments/Variance Reporting on progress	Status	Estimated Completion Date	Closed Date	% ACTION COMPLETE
7	WATC Schedule	Provide the Audit Committee with visibility over the WATC Schedule	MFCS	30/05/2025	Financial Reporting	LOW	Must Have - 6 months	YES	LOW		In Process	30/05/2025		5%
8	ARIC accepted the CEO review and Financial Management Review to be presented to Council	Key outcome and action. The Financial Management Review to be undertaken by an external party in the triennial review	CEO	1/06/2029	Financial Reporting	HIGH	Nice to have 24 Months	NO	HIGH	Needs to be transferred to the governance calendar so continuity is maintained and the action is executed in three years time - Add to Calendar	In Process	1/06/2029		0%
9	Artificial Intelligence is becoming endemic in the way Team Members operate and there are currently no controls in place	Add to the Risk Register as a new Key Risk Area	CEO	29/09/2026	Policy	VERY HIGH	Urgent - 2 months	YES	VERY HIGH	Artificial Intelligence is an unknown cyber security risk and needs to be carefully and thoughtfully managed	In Process	15/09/2026		50%

Shire of Kojonup — Risk & Legislative Compliance Review

This workbook tracks the Shire's compliance performance over time across three areas: Table 1.0 Risk Management Review Items (risk plans, registers & risk discussion), Table 2.0 Internal Control Items (policies, delegations, budget, integrated planning), and Table 3.0 Legislative Compliance (Compliance Audit Return & Information Statement), plus the annual Financial Audit Report. Each year column shows ✓ (compliant), X (non-compliant) or n/a; the Trend column summarises the latest status / direction of travel.

Table 1.0 Risk Management Review Items

	2021	2022	2023	2024	2025	2026	Trend	Commentary
Risk Management Plan:								
Is there an Adopted Plan in Place?	✓	✓	✓	✓	✓	✓	✓ Compliant	
Was it reviewed in the three year period?	✓	X	X	✓	✓	✓	✓ Compliant	In progress being reviewed by CEO currently
Was the Business Continuity & Disaster Recovery Plan reviewed?	✓	✓	✓	✓	✓	✓	✓ Compliant	
Was the Asbestos Management Plan reviewed?	X	X	✓	✓	✓	✓	✓ Compliant	
Risk Register (2014-2018):								
Number of Extreme & High risk items on the register by Department?								
- Office of the CEO	See below for the change in risk rating as of 2019						-	
- Corporate							-	
- Finance							▲ Improving	
- Administration							-	
- Council							▲ Improving	
- Depot							▲ Improving	
- The Kodja Place							▲ Improving	
- Springhaven							▲ Improving	
Risk Register (2019 to 2024):								
Number of Low, Moderate & High Risks (17 Risk Profiles)								

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Low	4	4	4	4			► Stable	0	
Moderate	8	8	8	8	1	1	▲ Improving	1	
High	3	3	3	3	14	14	▼ Declining	14	Risk Review was updated with new data in 2025, highlighting the real risk in the organisation
Extreme					1	1	► Stable	1	
Total Risk Categories						16	–	16	
Total Current Actions						54	–	54	
Inadequate Controls						5	–	5	
Adequate Controls						11	–	11	
Is Risk regularly discussed and minuted at staff meetings and various councillor meetings:									
Springhaven (operational) (audits, BCDRP 2019>)	✓	✓	✓	✓	Redundant		Redundant		
Office (WHS inc Audits ongoing 2024/25, BCDRP review & Management review of Risk Actions & Profiles)	✓	✗	✓	✓	✓	✓	✓ Compliant		
Councillors (Audit & Risk Committee/Council agenda items)	✓	✓	✓	✓	✓	✓	✓ Compliant		
Depot (WHS Audits ongoing 2024/25, BCDRP review & Management review of Risk Actions & Profiles)	✓	✗	✓	✓	✓	✓	✓ Compliant		
The Kodja Place (WHS Audits ongoing 2024/25, BCDRP review & Management review of Risk Actions & Profiles)	✓	✗	✓	✓	✓	✓	✓ Compliant		

Table 2.0 Internal Control Items

	2021	2022	2023	2024	2025	2026		
Policies & Delegations:								
Was the Delegation Register reviewed (financial year)?	✓	✓	✓	✓	✓	✓	✓ Compliant	In progress being reviewed by CEO currently
Were all Council Policies reviewed?	✓	✓	✓	✓	✓	✓	✓ Compliant	Dec-23 Fraud, Corruption & Misconduct Policy adopted
Budget & Finance:								
Was Budget adopted prior to 31 August?	✓	✓	✓	✓	✓	✓	✓ Compliant	
Was the Budget reviewed on time (between 01/01 & 31/03)?	✓	✓	✓	✓	✓	✓	✓ Compliant	
When was the Annual Electors Meeting held?	October	Aug	July	April	April	February	▲ Improving	
Audit Management Letter - Number of Items Raised	5	6	9	16	9	4		
Integrated Planning:								
Was the Long Term Financial Plan reviewed?	✗	✗	✗	✗	LTFP In Progress		✗ Non-Compliant	to be reviewed 2026 - In progress
Was the Strategic Community Plan reviewed?	✗	✓	✓	n/a	n/a	n/a	✓ Compliant	
Was the Corporate Business Plan reviewed?	✗	✗	✓	✓	✓	✓	✓ Compliant	
Was the Asset Management Plan reviewed?	n/a	n/a	✗	✗	LTAMP In Progress		✗ Non-Compliant	Long Term Plans being reviewed in 2026/27 - LTFP, AMP, P&E, Roads

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Was the Workforce Plan reviewed?	X	X	✓	X	X	X	X Non-Compliant	To be reviewed 2027 with SCP/CBP
Springhaven Lodge:								
Were Springhaven Policies reviewed by the Council?	✓	✓	✓	✓	Redundant		✓ Compliant	Springhaven transition plan executed. No longer a Shire business unit.
Springhaven Quality Agency Audit Visits	Compliant	Compliant	Compliant	Compliant				

Table 3.0 Legislative Compliance

	2021	2022	2023	2024	2025	2026		
Compliance Audit Return (CAR):								
Was the CAR completed by 31 March each year?	✓	✓	✓	✓	NA	CAR In Progress	✓ Compliant	Government extended the 2025 Audit to September 2026
Number of negative responses	3	4	3	3	0		-	SCP and CBP Adoption - CBP adopted February 2024, major review 2027
Information Statement:								
Was the review undertaken?	✓	✓	✓	✓	✓	✓	✓ Compliant	

Shire of Kojonup - Risk Analysis Dashboard 2025

Metrics summary derived from the Risk Dashboard 2025 (16 risk categories). Source: 'Risk Metrics Data' tab.

KEY METRICS

Total Risk Categories	Total Current Actions	Extreme Risks
16	54	1
High Risks	Moderate Risks	Inadequate Controls
14	1	5

RISKS BY RATING

Risk Rating	Count	% of Total
Extreme	1	6%
High	14	88%
Moderate	1	6%
Total	16	100%

CONTROLS BY ADEQUACY

Control Rating	Count
Adequate	11
Inadequate	5
Total	16

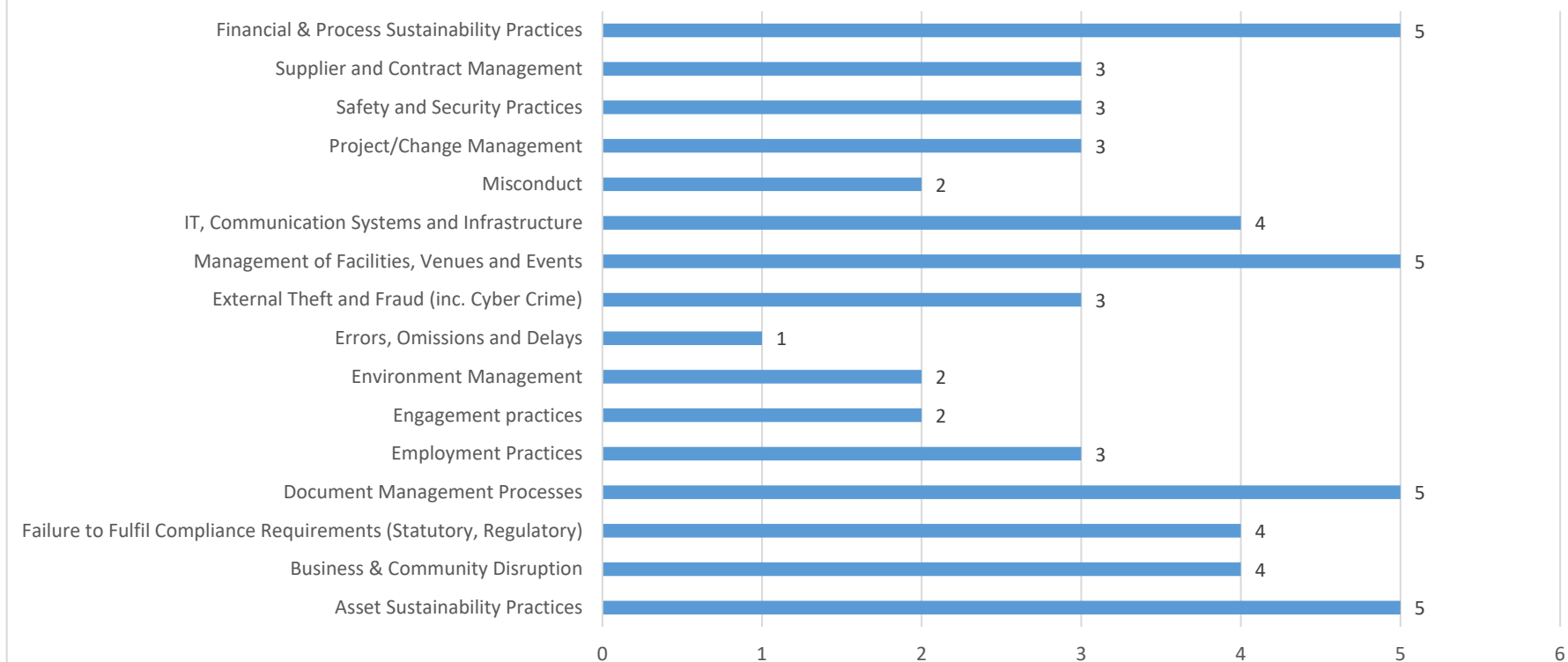
CURRENT ACTIONS BY RISK CATEGORY

Risk Category	Risk Rating	# Current Actions
Asset Sustainability Practices	High	5
Business & Community Disruption	High	4
Failure to Fulfil Compliance Requirements (Statutory, Regulatory)	High	4
Document Management Processes	High	5
Employment Practices	High	3
Engagement practices	Moderate	2
Environment Management	High	2
Errors, Omissions and Delays	High	1
External Theft and Fraud (inc. Cyber Crime)	High	3

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Management of Facilities, Venues and Events	High	5
IT, Communication Systems and Infrastructure	High	4
Misconduct	High	2
Project/Change Management	High	3
Safety and Security Practices	High	3
Supplier and Contract Management	Extreme	3
Financial & Process Sustainability Practices	High	5
Total		54

Current Actions by Risk Category



Shire of Kojonup Risk Dashboard 2025

<u>Asset Sustainability Practices</u>			Risk	Control
			High	Inadequate
Current Actions	Due Date	Responsibility		
Restrict access to non-compliant/damaged/dangerous buildings until the future of these facilities is determined.	May-25	MPS		
Implement actions in Risk Assessment Report Showgrounds	May-22	CEO		
MOU for Community Halls	Jul-23	PMRS		
Review and Update Long Term Asset Management	May-25	MPS		
Assess Cultural surveys on managed reserves to create a heritage inventory list	Dec-25	MPS		
<u>Business & Community Disruption</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
Review and test LEMA Plan	Apr-24	CESM		
Commence annual building inspections	Mar-24	MPS		
Implementing Bushfire Risk Mitigation Plans for individual assets	Jul-25	MPS		
Create CESM fulltime role to include Mitigation	Apr-25	CEO		
<u>Failure to Fulfil Compliance Requirements (Statutory, Regulatory)</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
Governance Officer Role reporting to CEO	Jan-25	CEO		
Internal Audits	Aug-25	CEO		
Process Review	Mar-25	CEO		
Data Collection Review	Apr-25	CEO		
<u>Document Management Processes</u>			Risk	Control
			High	Inadequate
Current Actions	Due Date	Responsibility		
Formation of Position Descriptions for Volunteers - progressing.	Apr-22	CEO		
Record Keeping Plan undertaken	Jan-24	CEO		
Train internal Records Officer	Feb-25	CEO		
New Electronic Documents Records Management	Feb-25	CEO		
Record Processes to be reviewed and processes and	Mar-25	CEO		
<u>Employment Practices</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
HR Process Review	Apr-25	MFCS		
Finalise EBA WASU	Dec-24	CEO		
Update & Standardise Templates for use	Dec-25	MFCS		
<u>Engagement practices</u>			Risk	Control
			Moderate	Adequate
Current Actions	Due Date	Responsibility		
Stakeholder Engagement Plan to be created	Apr-25	CEO		
Review Legislative requirement for Communications Plans	Feb-25	GRO		
<u>Environment Management</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
NRM Committee Reestablished	Oct-24	CEO		
Great Southern Climate Alliance Created and effective	Nov-24	CEO		
<u>Errors, Omissions and Delays</u>			Risk	Control
			High	Inadequate
Current Actions	Due Date	Responsibility		
Implement an organisational processes & Policy review	Dec-25	CEO		
<u>External Theft and Fraud (inc. Cyber Crime)</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
CCTV Project being Implemented	Feb-25	CEO		
Update fixed assets record (RAMM) to include Parks, Reserves, street furniture and signage and drainage infrastructure	Apr-25	MWI		
Managed Services Firewalls upgraded	Apr-24	CEO		
<u>Management of Facilities, Venues and Events</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
Draft improved Events planning process guidelines (including Planning Approvals, risk assessments, event management plans, food safety at stalls etc) - progressing	Apr-25	EHO		
Develop post event procedures and event evaluation debrief - progressing	Apr-25	EHO		
Develop Lease agreements register for all Shire facilities - progressing community hall agreements, sporting group agreements	Jul-25	CEO		
Community education re public events on private property - progressing	Jul-25	EHO		
Annual tenancy inspections for staff and public housing - scheduled & notice in writing	Mar-25	PMS		
<u>IT, Communication Systems and Infrastructure</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
Add additional generator input points (Admin building)	Jul-23	PMS		
Negotiate Service level agreement with Vendors - IT	Jun-22	CEO		
ERP System Upgrade	Mar-25	CEO		
ICT Managed Service Upgrades	Oct-24	CEO		
<u>Misconduct</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
Hire to Retire (H2R) process review	Apr-25	MFCS		
Implement user-friendly stock control and reconciliation (fuel) procedure - Finance to work with Depot	Mar-25	CEO		
<u>Project/Change Management</u>			Risk	Control
			High	Inadequate
Current Actions	Due Date	Responsibility		
Implement formal project management guidelines	May-25	CEO		
Train Team Members in Project Management Body of Knowledge	Jun-25	CEO		
Project Management Reporting to Council to commence	Feb-25	CEO		
<u>Safety and Security Practices</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
Conduct annual evacuation drill at all facilities	Apr-25	CEO		
Process review for safety documentation	Dec-24	MWI		
Safety Culture change program developed	Dec-24	CEO		
<u>Supplier and Contract Management</u>			Risk	Control
			Extreme	Inadequate
Current Actions	Due Date	Responsibility		
Contract Management Framework Review and Implementation	Mar-25	PMRS		
WHs Contractor Handbook to be created and approved	Feb-24	PMRS		
Induction process for Contractors	Dec-24	PMRS		
<u>Financial & Process Sustainability Practices</u>			Risk	Control
			High	Adequate
Current Actions	Due Date	Responsibility		
Cash Flow Budget and reporting to be implemented	Jan-25	MFCS		
Training Program for non financial Team Members	Sep-25	MFCS		
Layered Auditing Program (internal) - PO's and other financial management controls	Sep-25	MFCS		
Debtors Management	Nov-25	MFCS		
Leave Provision Management	Mar-25	MFCS		

10 SUMMARY OF RISK MANAGEMENT

10.1 RISK MANAGEMENT UPDATE

CEO gave a presentation on the risk and critical control framework.

Please refer to the embedded tables

10.2 WORK HEALTH AND SAFETY

CEO presented a succinct safety culture presentation

Unconfirmed

11 OFFICER REPORTS

11.1 CHIEF EXECUTIVE OFFICER – INTERNAL FINANCIAL MANAGEMENT REVIEW 2026

REPORTING OFFICER:	Grant Thompson – Chief Executive Officer
DATE:	Saturday, 13 June 2026
FILE NO:	FM.FNR.2
ATTACHMENT(S):	1. Internal Financial Management Review – Findings Register (from April 2023 to April 2026)

'PLACEMAKING' STRATEGIC COMMUNITY PLAN JULY 2023 TO JUNE 2033 To be "The Cultural Experience Centre of the Great Southern" STRATEGIC/CORPORATE IMPLICATIONS		
<i>Key Strategic Pillar/s</i>	<i>Community Goal/s</i>	<i>Corporate Objective/s</i>
Performance – Be organised and transparent with our financial management.	Increase the regularity and readability of financial reporting to the community.	Act with sound long-term and transparent financial management and deliver residents considered value for money.

DECLARATION OF INTEREST

Nil

PURPOSE OF THIS REPORT

The purpose of this report is for the Audit, Risk & Improvement Committee to consider the Internal Financial Management Review (FMR) undertaken by the Chief Executive Officer (CEO) on the appropriateness and effectiveness of the Shire of Kojonup's financial management systems, controls and procedures, as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (the Regulations).

This report is in no way a forensic review of the accounts and was not searching for material anomalies or fraud but rather looking at the appropriateness of controls and systems in place.

It is not an independent report and does not offer any assurance whether limited or otherwise. It is not possible for the CEO, in practice, to examine every activity, procedure or transaction. It is a layered audit of the appropriateness of critical controls and systems in place and effectively a maturity assessment giving recommendations on areas that require attention based on risk.

BACKGROUND

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government at least once every three financial years and report the results of that review to Council.

The previous CEO Internal Financial Management Review was adopted by Council on 21 March 2023 (Resolution 33/23). Consistent with that three-year cycle, this report addresses the period from April 2023 to the current date.

The review has been prepared for the Audit, Risk and Improvement Committee (ARIC) and Council of the Shire of Kojonup for the purpose of the CEO discharging their responsibilities under Regulation 5(2)(c) but also as good practice in monitoring the financial controls the Shire implements.

The review draws on the Office of the Auditor General (OAG) Interim and Final Management Letters for the years ended 30 June 2023, 30 June 2024 and 30 June 2025, the Shire's own assessments of the maturity of its financial systems and procedures, and a Financial Sustainability Overview prepared in readiness for the preparation of the Long Term Financial Plan and CEO Performance Review.

The findings raised since April 2023 have been consolidated into the embedded Findings Register Table, which records each finding, its nature (Systems & Procedures, Compliance or Governance), inherent risk, control effectiveness, residual risk rating, owner, target date and remediation status.

COMMENT

The risk-based maturity assessment covers Fifty-Seven (57) functional areas and returned an organisation-wide average maturity rating of 3.25/5.00 ("Defined").

The distribution is One (1) area at "Optimised" (Annual Financial Statements & External Audit Readiness, 4.5), Twenty-Six (26) areas (46%) at "Managed", Twenty-Three (23) areas (40%) at "Defined", Six (6) areas (11%) at "Developing" and One (1) area at "Initial".

Seven (7) priority areas sit below the "Defined" threshold (score < 2.5) and require focused uplift: Artificial Intelligence Usage – Enterprise-Wide (1.00 – Initial), IT General Environment & Cyber Security (2.00), Fraud & Corruption Control (2.00), Business Continuity / Disaster Recovery (2.00), Segregation of Duties / Authorisations (2.25), Cyber Incident Response & Data Breach Management (2.25) and Systems and Data Management (2.25). The highest-rated area scored 4.5/5.00 and the lowest 1.0/5.00, with Fourteen (14) open findings in total across the assessment.

Table 1.0 Financial Management Maturity Assessment

SHIRE OF KOJONUP

Financial Management Maturity Assessment — Summary Report

Reporting framework: 5-level maturity scale (Developing → Optimised). Prepared 14 June 2026. Covers all 57 functional areas.

1. OVERALL MATURITY SNAPSHOT

Organisation-wide average maturity	3.25 / 5
Overall maturity level	Defined
Total functional areas assessed	57
Total open findings (all areas)	14
Highest-rated area average	4.5 / 5
Lowest-rated area average	1 / 5

2. MATURITY LEVEL DISTRIBUTION

[illegible]

Limiting the scope to findings raised since April 2023, the Findings Register records Nineteen (19) findings (F36 – F54) identified through the three Office of Auditor General Management Letter cycles (years ended 30 June 2023, 2024 and 2025) and the Shire’s internal layered audit/CEO review.

By residual risk, One (1) finding is rated Extreme (F53 – Artificial Intelligence Usage), Eight (8) are High, Ten (10) are Medium and none Low.

Table 2.0 CEO Identified Priority Areas for Improvement by Status

3. PRIORITY AREAS FOR IMPROVEMENT (Maturity below "Defined" — score < 2.5)

Functional Area	Avg	Rating	Open Findings	Max Residual Risk
Artificial Intelligence Usage — Enterprise-Wide	1.00	Initial	0	0
IT General Environment & Cyber Security	2.00	Developing	1	1.6
Fraud & Corruption Control	2.00	Developing	0	0
Business Continuity / Disaster Recovery	2.00	Developing	0	0
Segregation of Duties / Authorisations	2.25	Developing	0	2.4
Cyber Incident Response & Data Breach Management	2.25	Developing	0	0
Systems and Data Management	2.25	Developing	0	0

Ten (10) findings (53%) have been Closed / Remediated, Two (2) are Substantially Complete and Seven (7) remain In Progress. By nature, Fourteen (14) relate to Systems and Procedures and Five (5) to Compliance Matters, with recurring themes centred on segregation of duties, independent review of journals and reconciliations, employee provisions and payroll, fixed-asset register integrity, IT general controls and cyber security uplift.

Table 3.0 Detailed Maturity by Functional Process

4. DETAILED MATURITY BY FUNCTIONAL AREA (all areas)				
Functional Area	Avg	Rating	Open Find.	Max Risk
Bank Reconciliations & Petty Cash	3.50	Managed	2	2.40
Trust/Reserve Funds	3.00	Defined	1	1.80
Receipts and Receivables	3.25	Defined	0	1.20
Rates	4.00	Managed	0	0.60
Fees and Charges	4.00	Managed	0	0.00
Purchases, Payments and Payables	2.75	Defined	1	2.40
Salaries and Wages / Payroll	2.75	Defined	3	2.40
Credit Card Procedures	3.50	Managed	0	1.80
Fixed Assets & Asset Management	4.00	Managed	2	1.20
Cost & Administration Allocations	4.00	Managed	0	0.00
Minutes and Meetings	3.75	Managed	0	0.00
Budget & Budgetary Control	3.75	Managed	0	0.00
Financial Reports	3.50	Managed	1	1.20
Registers (Annual & Primary Returns)	3.00	Defined	1	1.60
Integrated Planning & Reporting	3.50	Managed	0	0.80
Delegations	3.75	Managed	0	0.00
Audit, Risk & Improvement Committee	3.25	Defined	0	0.40
Insurance	4.00	Managed	0	0.00
Storage of Documents / Record Keeping	3.00	Defined	1	1.60
Investments	3.50	Managed	1	0.80
IT General Environment & Cyber Security	2.00	Developing	1	1.60
General Journals	3.25	Defined	0	1.80
Risk Management Plan & Framework	3.00	Defined	0	1.20
Fraud & Corruption Control	2.00	Developing	0	0.00
Procurement & Tendering	3.00	Defined	0	0.00
Segregation of Duties / Authorisations	2.25	Developing	0	2.40
Long Term Financial Plan	3.50	Managed	0	0.00
Business Continuity / Disaster Recovery	2.00	Developing	0	0.00
Grants Management & Acquittals	3.00	Defined	0	0.00
Council / Governance Oversight	3.00	Defined	0	0.00
Conflicts of Interest & Gifts/Benefits Register	2.75	Defined	0	0.00
Financial Interest Returns (Primary & Annual)	4.00	Managed	0	0.00
Procurement Card / Corporate Spend Acquittal Controls	3.75	Managed	0	0.00
Bank Account & EFT / Online Banking Controls	3.75	Managed	0	0.00
Master Data / Vendor & Bank Detail Change Controls	3.25	Defined	0	0.00
Payroll Master File & New Starter/Terminations Controls	3.50	Managed	0	0.00

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Corporate Credit / Purchasing Threshold & Delegation Compliance	3.25	Defined	0	0.00
Records Management & Information Governance (State Records Act)	3.25	Defined	0	0.00
Privacy & Data Protection / Information Handling	3.00	Defined	0	0.00
Cyber Incident Response & Data Breach Management	2.25	Developing	0	0.00
IT Backup, Recovery & Change Management	3.50	Managed	0	0.00
Third-Party / Vendor & Contract Management	3.25	Defined	0	0.00
Capital Works & Project Management	3.50	Managed	0	0.00
Plant, Fleet & Fuel Management	3.75	Managed	0	0.00
Stores / Inventory Management	3.25	Defined	0	0.00
Leasing & Property/Land Management	3.25	Defined	0	0.00
Grants Income & Acquittal Compliance (Funding-Body)	2.75	Defined	0	0.00
Debt & Borrowings Management	4.00	Managed	0	0.00
Rates Concessions, Pensioner Rebates & Write-offs	2.50	Defined	0	0.00
Customer Service, Complaints & Public Interest Disclosures	3.00	Defined	0	0.00
Workforce / WHS & Workers Compensation	4.00	Managed	0	0.00
Code of Conduct & Ethics Compliance	4.00	Managed	0	0.00
Legislative Compliance Register / Obligations Framework	3.50	Managed	0	0.00
Strategic Risk & ERM Reporting to ARIC	4.00	Managed	0	0.00
Annual Financial Statements & External Audit Readiness	4.50	Optimised	0	0.00
Artificial Intelligence Usage — Enterprise-Wide	1.00	Initial	0	0.00
Systems and Data Management	2.25	Developing	0	0.00

Please Note: This summary is generated from the live Maturity Assessment. Average maturity is scored 1 (Initial) to 5 (Optimised). Open Findings and Max Residual Risk are drawn from the Findings Register. Figures update automatically as the underlying assessment changes.

In summary, this internal review of the Shire's financial systems has not identified any matters of material concern at this time. The Shire of Kojonup has generally sound and improving financial controls as witnessed through the Auditors commentary; however, several areas require significant improvement and present elevated risk exposure to the Shire if left unaddressed.

These matters should be prioritised over the short to medium term, with most actions to be addressed within two years and some requiring more immediate attention. Accordingly, the Shire will continue to focus on the following areas:

1. Prioritise remediation of the open High residual-risk findings listed above;
2. Reinforce month-end reconciliation reviews and segregation-of-duties controls as standing items in the finance team's operating procedures;
3. Uplift the IT General Environment and Cyber Security maturity; and
4. Continue the ERP and Systems modernisation program initiated following the 2022/23 review.

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Audit Findings, Recommendations & Insights — 2023 Onwards

Summary report for attachment to Council / Audit, Risk & Improvement Committee papers. Source: Findings Register (F36–F54). Covers 2023, 2024 and 2025 external Management Letter findings plus internal layered audit / CEO review findings.

DETAILED FINDINGS, RECOMMENDATIONS & STATUS

Ref	Audit Source	Functional Area	Nature	Risk	Finding / Observation	Key Recommendation	Owner	Target Date	Status
F36	External Audit 2023 (Mgmt Letter)	General Journals	S	High	Cost reallocation journal procedures: several general journals posted to roads infrastructure job ledgers (reallocation/allocation of capital costs) were not adequately supported by documented evidence of reasons and purpose. Rationale was subsequently substantiated as reasonable.	Ensure procedures for reviewing and recognising cost allocation journals are designed and implemented. Document reasons and retain evidence for every journal, including rationale for capitalising infrastructure costs with reference to actual costs incurred.	Manager Financial & Corporate Services	31/12/2023	Closed / Remediated
F37	External Audit 2023 (Mgmt Letter)	General Journals	S	High	General journal review processes: 4 of 10 general journals tested were not recorded as reviewed by an authorised reviewer; journals prepared by the external consultant are not being reviewed/approved by an authorised Shire officer. (Prior year finding - 2022.)	All general journals (and supporting documentation) to be reviewed and signed by an appropriate officer independent of the preparer, including journals received from the external consultant.	Manager Financial & Corporate Services	31/12/2023	Closed / Remediated
F38	External Audit 2023 (Mgmt Letter)	Salaries and Wages / Payroll	S	High	Employee related provisions: long-service leave provision balances still exist for 51 employees no longer employed; estimated overstatement of \$92,840 at 30 June 2023. Balance has continued to grow with no process improvement.	Review employee data used to recognise provisions annually to ensure it is current; recognise adjustments to reduce liability balances for entitlements paid or no longer required. Add an LSL reconciliation to the EOFY process.	Finance & Payroll Officer	30/03/2024	Closed / Remediated
F39	External Audit 2023 (Mgmt Letter)	Receipts and Receivables	S	Medium	Monthly reconciliation - Debtors: April 2023 reconciliation completed with an unexplained negative balance; May 2023 reconciliation had no retained record of completion or review. Negative balance of \$14,513 left uncorrected (reported as uncorrected misstatement).	Ensure all month-end reconciliations are completed and adequately reviewed promptly; retain evidence of review; investigate and action variances in a timely manner.	Manager Financial & Corporate Services	30/01/2024	Closed / Remediated
F40	External Audit 2023 (Mgmt Letter)	Purchases, Payments and Payables	S	Medium	Monthly reconciliation - Creditors: trade creditors balance differed from the filed reconciliation by \$14,513 at 30 June 2023 with no evidence explaining the variance. Error left uncorrected (reported as uncorrected misstatement).	Ensure all month-end reconciliations are completed and adequately reviewed promptly; retain evidence of review; investigate and action variances in a timely manner.	Manager Financial & Corporate Services	30/01/2024	Closed / Remediated
F41	External Audit 2023 (Mgmt Letter)	Trust Funds	S	High	Builders' retention funds: amounts held as a liability have not been reconciled in the last 2 years and records of individual amounts held could not be located during the audit.	Reconcile all retention funds, bonds and deposits by individual party; perform and review reconciliations of balances and movements on a regular basis with second-officer review.	Project Manager	30/03/2024	In Progress

Shire of Kojonup – Audit, Risk and Improvement Committee Meeting – Agenda – 17 June 2026

F42	External Audit 2023 (Mgmt Letter)	Fixed Assets & Asset Management	S	Medium	Job card procedures: one new infrastructure job cost ledger was set up that incorrectly allocated costs to another earlier job ledger. No overall effect on total infrastructure value but misstates budget vs actual and grant acquittal reporting.	Establish and implement a process to review all newly created job ledgers and close completed ledgers regularly; do not journal costs between jobs without substantiating working papers.	Manager Financial & Corporate Services	31/12/2023	In Progress
F43	External Audit 2023 (Mgmt Letter)	Purchases, Payments and Payables	C	Medium	Purchasing policy deviation: 1 of 31 samples did not follow the Shire's purchasing policy - a \$27,000 purchase requiring two written quotes where possible was made with no quotes obtained.	Prior to payment, review that the purchasing policy has been followed regarding required quotes; follow up any deviations with the appropriate person; retrain staff involved.	Chief Executive Officer	30/09/2023	Closed / Remediated
F44	External Audit 2023 (Mgmt Letter)	Salaries and Wages / Payroll	C	High	Superannuation guarantee calculation: for the pay period ended 17 January 2023, one sampled employee on annual leave did not have superannuation paid on the leave loading component. Systemic/historical issue not previously identified.	Investigate whether other employees missed super on leave loading and assess potential underpayment; review payroll system employee setup to ensure all eligible pay components are included in SG calculations.	Manager Financial & Corporate Services	30/11/2023	Substantially Complete
F45	External Audit 2024 (Mgmt Letter)	Salaries and Wages / Payroll	S	High	Employee related provisions: long-service leave provision balances still exist for 76 former employees no longer employed; estimated overstatement of \$162,721 at 30 June 2024 (up from \$92,840 at 2023). Subsequently corrected in the financial report. (Prior year finding - 2023, rated Significant.)	Review employee data used to develop and recognise employee related provisions each year to ensure it is current; recognise adjustments to reduce liability balances for entitlements paid or no longer required. Enforce an exit process/checklist when employees leave.	Manager Financial & Corporate Services	30/04/2025	In Progress
F46	External Audit 2024 (Mgmt Letter)	Credit Card Procedures	C	Medium	Credit card transactions not reported to Council: the accounts paid listing presented to Council did not include credit/purchasing card transactions, contrary to Reg 13A of the Local Government (Financial Management) Regulations 1996. No fraudulent transactions identified.	Submit all corporate credit and purchasing card transactions to Council for review and approval at the meeting immediately following payment, to ensure compliance with FM Reg 13A and enhance transparency.	Manager Financial & Corporate Services	25/02/2025	Closed / Remediated
F47	External Audit 2024 (Mgmt Letter)	Fixed Assets & Asset Management	S	Medium	Asset register - land & buildings: 2 properties (LB0097 \$38,000; LB0236 \$14,000) could not be located/confirmed via Landgate; 2 properties on the register are not owned by the Shire (LB0221 \$35,000; LB0235 \$500); land additions of \$10,661 in the GL were not reflected in the register. Reported as uncorrected errors.	Regularly review asset records and registers; ensure period movements are reflected; remove assets not owned by the Shire using appropriate accounting treatment; include adequate detail to identify all assets. Verify ownership and review register at least annually.	Senior Finance Officer	30/06/2025	In Progress
F48	External Audit 2025 (Mgmt Letter)	Bank Reconciliations & Petty Cash	S	High	Monthly reconciliation process: several key reconciliations (bank, debtors, creditors, rates) not performed timely for Jul 2024-Jan 2025; Aug 2024 Trust & Reserve reconciliation had no evidence of review; Debtors reconciliations for Aug 2024, Feb & Mar 2025 not completed or not evidenced. (First identified 2023; 2024: Significant.)	Ensure all month-end reconciliations are completed and reviewed by an independent officer as soon as practicable in the following month; retain evidence of review and follow-up actions taken.	Manager Financial & Corporate Services	Immediately	In Progress

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F49	External Audit 2025 (Mgmt Letter)	General Journals	S	Medium	General journal review processes: of 30 journals examined, 17 Department of Transport payments were incorrectly processed via general journals instead of the payment process; 2 rates journals (amalgamations/adjustments) had no evidence of review prior to posting. (First identified 2024; 2024: Significant.)	Ensure all general journals are reviewed and signed by an officer independent of the preparer; do not use general journals to recognise payments (use accounts payable functions with 2-factor authorisation); train Rates Officer on correct journal process.	Senior Finance Officer	Immediately	Closed / Remediated
F50	External Audit 2025 (Mgmt Letter)	IT General Environment & Cyber Security	S	Medium	General IT controls - access rights & permissions: four users held 'SUPERUSER' rights in Synergy, three of whom were external consultants. No misuse identified during testing. (2024: Moderate.)	Review all Synergy user accounts to ensure appropriate access levels are granted only to current officers whose role requires them; review external consultants' access immediately.	Manager Financial & Corporate Services	30/09/2025	Closed / Remediated
F51	External Audit 2025 (Mgmt Letter)	Purchases, Payments and Payables	C	Medium	Quotes: 1 of 30 sampled transactions did not include evidence of three written quotes required by the Shire's purchasing policy for purchases above \$20,000.	Ensure all staff are aware of the purchasing policy requiring three written quotes for purchases exceeding \$20,001 (CEO approval based on quotes); clarify CUA direct-purchase exemptions through the policy review.	Chief Executive Officer	Immediately	In Progress
F52	External Audit 2025 (Mgmt Letter)	Salaries and Wages / Payroll	C	Medium	Leave applications: the established Altus leave-application/approval process is not always followed (reliance placed on email); in testing of fortnightly pay runs, one employee's pay required reversal and reprocessing due to incorrect leave type entered.	Ensure all employees submit leave applications for manager approval per the Shire's established process prior to taking leave (or upon return where prior submission not possible); re-educate staff on the leave portal and reinforce timesheet completion.	Chief Executive Officer	Immediately	Closed / Remediated
F53	Internal Layered Audit - CEO Review	Artificial Intelligence Usage — Enterprise-Wide	S	Extreme	AI requires policy and procedures to ensure that systems and data and privacy is protected	Create an AI policy and procedures, Create an AI risk in the risk register, Do a risk assessment on AI Copilot currently in use	Chief Executive Officer	Immediately	Substantially Complete
F54	Internal Layered Audit - CEO Review	IT General Environment & Cyber Security	S	High	ERP System requires Upgrade	Tender ERP providers, Select preferred Tenderer, commence project implementation, 3 - 4 year timeframe	DCEO	01/12/2025	In Progress

Key — Nature: S = Systems and Procedures, C = Compliance Matter, G = Governance. Risk: Extreme / High / Medium / Low (residual, after controls). Please Note: This report summarises all audit findings from 2023 onwards — external audit Management Letter findings (2023–2025) and internal layered audit / CEO review findings. Refer to the full Findings Register for inherent risk, control effectiveness scores, residual risk scores and remediation progress.

Financial Sustainability - Local Government Financial Indicator (LGFI) Summary – Shire of Kojonup (2023/24)

In considering the financial questions related to the Shire, this report applies the Western Australian Local Government Financial Indicator (LGFI) ratio framework and a DuPont financial analysis model, together with the practical realities of a small regional local government, including:

1. Grant dependency;
2. Workforce constraints;
3. Population trends; and,
4. The challenge of maintaining a comparatively large asset base for a relatively small ratepayer base.

The two financial analytical tools used in this assessment are widely recognised models that help explain both the financial health of an organisation and the drivers behind that position, particularly in a local government context. Although the DuPont model is margin-driven, it remains a useful cross-check that complements the ratio analysis and helps Council and the Audit Risk & Improvement Committee form a more complete view of the Shire's financial health.

Published by the Department of Local Government, Sport and Cultural Industries through MyCouncil WA, the LGFI is weighted across the Operating Surplus Ratio (40%), Net Financial Liabilities Ratio (30%), Debt Service Coverage Ratio (20%) and Current Ratio (10%). The Local Government Financial Indicator (LGFI) is a composite score (out of 100).

In the broader sustainability context, whilst the Shire remains in a **'reasonable'** financial position, with a 2023/24 Local Government Financial Indicator (LGFI) score of 83 (above the benchmark of 70), the Shire operates with a **'Volatile'** performance meaning the Shire is at risk of liquidity issues in the medium to long term.

The LGFI, DuPont and regional benchmarking summaries below provide further context drawn from the most current LGFI accessible data, noting that debt management, asset renewal and reserves replenishment continue to require focused attention.

The Shire of Kojonup scored 83 in 2023/24 – above the State benchmark of 70 and in the **"Good"** band. The Shire's six-year LGFI history shows volatility (87, 82, 93, 69, 90, 83) reflecting depreciation revaluations and volatility in revenue, but with an underlying recovery of +14 points over the last two years. Being **'Volatile'** means this may change Year to Year and places the Shire in a medium to high-risk category for liquidity.

Ratio	Kojonup 2023/24	Benchmark	Status	Commentary
LGFI Score	83	≥ 70	PASS – Good	+13 points above benchmark
Current Ratio	1.50	≥ 1.0	PASS	Adequate liquidity; lowest in peer group
Debt Service Coverage Ratio	4.27	≥ 2.0	PASS	Good debt servicing capacity
Operating Surplus Ratio	0.03 (3%)	0% – 10%	PASS – Basic	Positive but at low end of range

Net Financial Liabilities Ratio	0.11 (11%)	< 0.30	PASS	Reasonable debt levels; highest in peer group
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All four LGFI component ratios passed the State benchmark in 2023/24. Operating Surplus Ratio at the lower end of the range and the lowest Current Ratio in the Great Southern peer group remain areas for management focus, both of which are addressed through the Long Term Financial Plan refresh and the cash reserves policy initiative.

For the Audit, Risk & Improvement Committee and for the Council it will be important to monitor revenues versus operating expenditure in subsequent years.

Six-Year LGFI Trend – Shire of Kojonup

Financial Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	6-Yr Avg
LGFI Score	87	82	93	69	90	83	84.0
Year-on-Year Change	–	▼ -5	▲ +11	▼▼ -24	▲▲ +21	▼ -7	Volatile
Status vs Benchmark (70)	Good	Good	Excellent	Moderate	Excellent	Good	–

Legend: green – well above benchmark; light green – above benchmark; amber – at moderate risk band (50-69); red – below benchmark (<50). The 2021/22 dip reflects depreciation revaluation impacts and the transition of Springhaven Aged Care; the score has recovered by +14 points over the two subsequent years.

DuPont Financial Analysis – Shire of Kojonup (2023/24)

The DuPont decomposition expresses Return on Assets (ROA) as Net Profit Margin × Asset Turnover, and Return on Equity (ROE) as ROA × Financial Leverage. For a local government, this isolates whether sustainability pressure originates from operating margin erosion (largely depreciation-driven) or from asset under-utilisation.

Applied to the Shire of Kojonup's 2023/24 financial statements, the DuPont profile is as follows:

DuPont Component	Formula	Kojonup 2023/24	Peer Avg	Interpretation
Net Profit Margin	Net Result ÷ Operating Revenue	-48.3%	-58.2%	Operating deficit driven primarily by \$5.3M depreciation
Asset Turnover	Operating Revenue ÷ Total Assets	5.9%	3.9%	Highest asset utilisation in the peer group
Return on Assets (ROA)	Margin × Turnover	-2.86%	-2.19%	Negative ROA; mid-pack vs peers
Financial Leverage	Total Assets ÷ Total Equity	1.04	1.03	Slightly higher than peers; reflects \$4.47M debt
Return on Equity (ROE)	ROA × Leverage	-2.97%	-2.27%	Negative; consistent with sector-wide depreciation impact

The DuPont profile confirms that Kojonup's negative ROA is driven by the operating margin (depreciation outweighing operating revenue) rather than poor asset utilisation – in fact, asset turnover at 5.9% is the highest in the Great Southern peer group.

This indicates that strategies to improve sustainability should target the operating margin (cost discipline, own-source revenue growth, asset rationalisation and renewal of asset alignment) rather than additional asset investment.

In short the intention is to ensure the Shire has liquidity over the medium term to maintain and renew its assets.

Regional Benchmarking – Great Southern Shires (2023/24)

It must be noted this is a point in time and the Shire of Kojonup being deemed 'Volatile' means things may change depending on the situation. The current inflationary economic environment will more than likely see a decline in the Operating Surplus Ratio for the Shire in the 2024/2025 financial year due to cost pressure and reducing revenues. Revaluations of assets and property may also create a negative impact due to depreciation impact.

The table below benchmarks the Shire of Kojonup against (7) Seven other similar size/geographically located Great Southern Shires, using 2023/24 LGFI ratios published on MyCouncil WA.

The Shire ranks 4th of 9 on overall LGFI in this given year and is one of only two shires in the region with a positive Operating Surplus Ratio in this period.

It must be acknowledged this is only a high-level benchmarking exercise as there may be mitigating circumstances affecting the other Shires results that are not visible, such as abnormal depreciation due to revaluations that could be influencing the outcomes.

Regional Risk Heat Map – LGFI Component Ratios (2023/24)

The heat map below visualises each shire's position on the five LGFI inputs using green (strong – well above benchmark), light green (good – above benchmark), amber (caution – at or near benchmark) and red (below benchmark/at risk):

Shire	LGFI	Current Ratio	Debt Service	Operating Surplus	Net Fin. Liabilities	Overall
Shire 1	100	4.18	10.40	0.21	-0.55	Strong
Shire 2	87	10.26	15.71	-0.04	-1.25	Good
Shire 3	84	4.14	7.85	-0.14	-0.44	Good
Kojonup	83	1.50	4.27	0.03	0.11	Good
Shire 4	81	5.46	15.57	-0.25	-0.81	Good
Shire 5	80	2.95	N/A	-0.27	-0.81	Good
Shire 6	70	5.41	7.35	-0.61	-0.54	Caution
Shire 7	69	2.40	4.66	-0.63	-0.60	At Risk
Shire 8	65	7.99	25.46	-0.76	-0.90	At Risk

Heat map legend: **Strong** well above benchmark **Good** above benchmark **Caution** at or near benchmark **At Risk** below benchmark **N/A** not applicable.

Kojonup's heat map confirms a **"Good"** overall position with two amber cells (Current Ratio and Net Financial Liabilities) consistent with the management focus areas identified earlier in this report.

Six of Eight (8) shires show a declining LGFI trends since 2020/21, with three at or below the benchmark of 70. Kojonup's position is **"Good"** (ranked 4th of 9) within the grouping, with a positive Operating Surplus Ratio but with the lowest Current Ratio (1.50) and the highest Net Financial Liabilities Ratio (0.11) in the peer group.

These two relative weaknesses are explicitly reflected in short-term remediation actions and the recommendations to the Audit, Risk and Improvement Committee on cash reserves and continued debt reduction.

In summary the:

1. Financial Management Systems and Controls that have been in focus, have had a positive effect on the financial position of the Shire. This can be seen through the improvement of metrics year on year.
2. Focus has been on
 - a. internal financial controls;
 - b. prudent financial stewardship;
 - c. Debt servicing;
 - d. cost management balanced with service provision.

Addendum to report arising from the meeting

3. The CEO recommended in the meeting that the next triennial review is outsourced to a forensic accountant for best practice governance.

CONSULTATION

Consultation in preparing this review has included:

- Office of the Auditor General (Interim and Final Management Letters – years ended 30 June 2023, 2024 and 2025)
- Shire President

STATUTORY REQUIREMENTS

This report is prepared to discharge the CEO's obligations under Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, which provides:

"The CEO is to ... (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews."

Regulation 5(1) also requires the CEO to establish efficient systems and procedures for the collection of money owing to the local government, safe custody of money collected, maintenance of financial records, proper accounting, authorisation of liabilities and payments, payroll and stock control records, and assistance in preparing budgets, accounts and reports required by the *Local Government Act 1995* (the Act) or the Regulations. Section 5.121 of the Act regarding the maintenance of a Register of Complaints is also referenced in finding F29.

POLICY IMPLICATIONS

The review is consistent with the Shire's Risk Management Policy and Framework, Purchasing Policy, Investment Policy, Code of Conduct and the policy responsibilities of the Audit, Risk and Improvement Committee.

Recommended actions arising from the open findings may necessitate minor policy updates to reflect strengthened controls, particularly in relation to purchasing thresholds, segregation of duties, journal review, and IT and cyber security, Artificial Intelligence.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the adoption of this report. Remediation of the identified findings is expected to be absorbed within existing operational budgets and the ongoing ERP and systems modernisation program. Where individual remediation actions require additional funding (for example, IT and cyber security uplift), these will be brought to Council through the normal budget or budget review process. The broader financial sustainability indicators set out in the LGFI, DuPont and regional benchmarking summaries above will be monitored annually through the Long Term Financial Plan and Annual Report cycle.

RISK MANAGEMENT IMPLICATIONS

RISK MANAGEMENT FRAMEWORK			
Risk Profile	Risk Description/Cause	Key Control	Current Action
Financial & Compliance – Internal Controls	Weaknesses in segregation of duties, journal review, reconciliations and IT/cyber controls could result in errors, non-compliance with the Local Government (Financial Management) Regulations 1996, or fraud/financial loss.	Documented policies and procedures; ARIC oversight; monthly financial reporting; annual external audit; CEO financial management review every 3 years.	Remediation of 25 open findings through the FMR Findings Register; ERP and systems modernisation program; targeted uplift of IT & cyber security maturity; standing reporting of remediation progress to ARIC.
Risk rating – Medium (Residual). Inherent risk High; mitigated by existing controls and active remediation program.			
IMPLICATIONS			
The review concludes that, whilst only Extreme residual risk was identified, High residual-risk findings remain open and require priority attention. Without sustained remediation, there is potential for compliance breaches, misstatement of the financial report, audit qualification, reputational impact and possible financial impact. Continued investment in systems, segregation of duties and staff capability is required to maintain a Medium overall residual risk profile.			

ASSET MANAGEMENT IMPLICATIONS

Several findings reinforce the need to continue the Shire’s Enterprise Resource Planning (ERP) and systems modernisation program, which underpins the integrity of asset, payroll, procurement and financial records.

The Asset Management Plan and, interdependently, the Long-Term Financial Plan also rely on accurate cost journals and disciplined capitalisation processes, which are addressed by findings F36 and F37.

These Plans are due to be revisited as per regulations in 2026.

Continued investment in records management and asset register integrity (including the verification of land and building ownership identified in the OAG’s 30 June 2024 Management Letter) is required.

GREAT SOUTHERN VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil direct implications.

However, it must be noted there may be opportunities to collaborate with Great Southern VROC Member Councils to improve liquidity and scale, share common policy and regulatory frameworks and ICT/cyber security uplift to improve efficiency and reduce risk across the region.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION

That ARIC:

1. Receives the Internal Financial Management Review 2026, prepared by the Chief Executive Officer, in accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*;
2. Recommends the report on the appropriateness and effectiveness of the financial management systems and procedures of the Shire of Kojonup to the Council for consideration;
3. Endorses the prioritisation of the open Extreme and High residual-risk findings detailed in the attached Findings Register for remediation within the next 12 months; and
4. Requires the recommendations and observations raised within the report to be placed on the risk register and reported back to the Audit, Risk and Improvement Committee on a quarterly basis for monitoring.

MOVED:	Digby Stretch
SECONDED:	Cr Bilney
VOTE:	
FOR:	
AGAINST:	

AMENDMENT TO THE SUBSTANTIVE MOTION

That a fifth point is added to the substantive motion that states:

1. For probity and best practice governance ARIC recommends to Council that the next triennial Financial Management Review be undertaken by an external Forensic Accountant selected by the CEO going to market with an Expression of Interest.

MOVED:	Cr Mathwin
SECONDED:	Cr Bilney
VOTE:	4/0 Carried
FOR:	Presiding Member Pip Crook, Deputy Presiding Member Digby Stretch, Cr Roger Bilney, Cr Mick Mathwin
AGAINST:	

AMENDMENT BECOMES THE SUBSTANTIVE MOTION

That ARIC:

2. Receives the Internal Financial Management Review 2026, prepared by the Chief Executive Officer, in accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*;
3. Recommends the report on the appropriateness and effectiveness of the financial management systems and procedures of the Shire of Kojonup to the Council for consideration;
4. Endorses the prioritisation of the open Extreme and High residual-risk findings detailed in the attached Findings Register for remediation within the next 12 months; and
5. Requires the recommendations and observations raised within the report to be placed on the risk register and reported back to the Audit, Risk and Improvement Committee on a quarterly basis for monitoring.
6. For probity and best practice governance ARIC recommends to Council that the next triennial Financial Management Review be undertaken by an external Forensic Accountant selected by the CEO going to market with an Expression of Interest.

MOVED:	Digby Stretch, Deputy Presiding Member
SECONDED:	Cr Bilney
VOTE:	4/0 Carried
FOR:	Presiding Member Pip Crook, Deputy Presiding Member Digby Stretch, Cr Roger Bilney, Cr Mick Mathwin
AGAINST:	

12 CEO UPDATES

CEO gave a detailed presentation on the following:

- | | | |
|------|--|-----|
| 12.1 | Interim Audit Process Update | CEO |
| 12.2 | Risk: Update Myrtle Benn | CEO |
| 12.3 | Financial Management Review - Presentation | CEO |
| 12.4 | Compliance Updates | CEO |
| 12.5 | Risk Review | CEO |

12.6 Superannuation Update

CEO

13 OTHER ITEMS FOR DISCUSSION OR FURTHER RESEARCH AS RAISED BY MEMBERS

As a part of the presentation the CEO recommended ARIC insert a new risk profile in the risk framework associated with Artificial Intelligence.

OFFICER RECOMMENDATION	
That ARIC:	
1. Directs the CEO to add a new key risk area to the risk register outlining the risk of Artificial Intelligence (AI) on the organisation.	
MOVED:	Cr Bilney
SECONDED:	Digby Stretch, Deputy Presiding Member
VOTE:	4/0 Carried
FOR:	Presiding Member Pip Crook, Deputy Presiding Member Digby Stretch, Cr Roger Bilney, Cr Mick Mathwin
AGAINST:	

14 NEXT MEETING

The next meeting of the Audit and Risk Committee is scheduled to be held Wednesday 30 September, 2026 at 10:00am.

15 CLOSURE

There being no further business to discuss, the Presiding Member thanked members for their attendance and declared the meeting closed at 12:30pm.

ATTACHMENTS (SEPARATE)

4.1.1 - Unconfirmed Audit & Risk Committee Minutes 7 May 2025

2025 Compliance Audit Return

Local Government Authority: The Shire of Kojonup

Local Government Act 1995

s. 2.29

Has every person elected or appointed to a mayor, president, deputy, or councillor role made the required declaration in the prescribed form before a prescribed person, prior to acting in the office?

Response: Yes

s. 3.16

Has the local government reviewed local laws, which have not been reviewed in the previous 8 years, to ensure compliance with Schedule 9.3, Clause 65?

Response: Yes

Comments: With the exception of the Health Local Law that is due for review prior to December 2026. Shire Health Plan formed in 2026. All other Local Laws within the timeframe.

s.3.57

Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations?

Response: Yes

s. 3.58(3)

Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the Local Government Act 1995 (unless section 3.58(5) applies)?

Response: Yes

s. 3.58(4)

Where the local government disposed of property under section 3.58(3) of the Local Government Act 1995, did it provide details, as prescribed by section 3.58(4) of the Act, in the required local public notice for each disposal of property?

Response: Yes

s. 3.59(2)(a)

Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2025?

Response: N/A

s. 3.59(2)(b)

Has the local government prepared a business plan for each major land transaction that was not exempt in 2025?

Response: N/A

s. 3.59(2)(c)

Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2025?

Response: N/A

s. 3.59(4)

Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2024?

Response: N/A

s. 3.59(5)

During 2025, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?

Response: N/A

s. 5.16 (1)

Were all delegations to committees resolved by absolute majority?

Response: N/A

s. 5.16 (2)

Were all delegations to committees in writing?

Response: N/A

s. 5.17

Were all delegations to committees within the limits specified in section 5.17 of the Local Government Act 1995?

Response: N/A

s. 5.18

Were all delegations to committees recorded in a register of delegations?

Response: N/A

s. 5.36(4) and s. 5.37(3)

Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A?

Response: N/A

s. 5.37(2)

Did the CEO inform council of each proposal to employ or dismiss senior employee?

Response: N/A

Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?

Response: N/A

s. 5.39B

Has the local government adopted and maintained model standards that incorporate the prescribed model standards within required timeframes (including amendments), ensured adoption by absolute majority, published an up-to-date version on its official website, and avoided including any inconsistent additional provisions?

Response: Yes

s. 5.42

Were all delegations to the CEO resolved by an absolute majority?

Response: Yes

Were all delegations to the CEO in writing?

Response: Yes

s. 5.43

Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Local Government Act 1995?

Response: Yes

s. 5.44(2)

Were all employees delegated authority by the CEO under Section 5.44(1), issued with a written instrument of delegation?

Response: Yes

s. 5.45(1)(b)

Were all decisions by the Council to amend or revoke a delegation made by absolute majority?

Response: N/A

s. 5.46

Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?

Response: Yes

Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2024/2025 financial year?

Response: Yes

Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19?

Response: No

Comments: Partial - newly appointed Governance Officer and CEO will undertake a process and compliance review of delegations in 2026 to ensure full compliance.

s. 5.50

If the local government paid a finishing employee an amount in addition to their entitlement, did the local government follow a policy it had adopted and published on its website outlining the circumstances in relation to payments made to terminated employees?

Response: N/A

If the local government made a payment to a finishing employee that is more than the amount set out in the policy, was local public notice given?

Response: N/A

s. 5.51A

Has the CEO prepared and implemented a code of conduct to be observed by employees of the local government?

Response: Yes

Has the CEO published an up-to-date version of the code of conduct for employees on the local government's website?

Response: Yes

s. 5.67

Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the Local Government Act 1995, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?

Response: Yes

s. 5.68(2)

Were all decisions regarding participation approval in relation to Section 5.68(2), including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting?

Response: Yes

s. 5.69(5)

Were all decisions regarding participation approval in relation to Section 5.69(5), including the extent of participation allowed recorded in the minutes of the relevant council or committee meeting?

Response: Yes

s. 5.70

Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?

Response: Yes

s. 5.71B(5) and (7)

Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the Local Government Act 1995 relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?

Response: N/A

Was any decision made by the Minister under section 5.71B(6) of the Local Government Act 1995, recorded in the minutes of the council meeting at which the decision was considered?

Response: N/A

s. 5.73

Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the Local Government Act 1995 recorded in the minutes of the meeting at which the disclosures were made?

Response: Yes

s. 5.75

Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?

Response: Yes

s. 5.76

Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2025?

Response: Yes

s. 5.77

On receipt of a primary or annual return, did the CEO, or the Mayor/President, as the case may be, give written acknowledgment of having received the return?

Response: Yes

s. 5.88

Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the Local Government Act 1995?

Response: Yes

Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28?

Response: Yes

After a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the Local Government Act 1995, did the CEO remove from the register all returns relating to that person?

Response: Yes

Have all returns removed from the register in accordance with section 5.88(3) of the Local Government Act 1995 been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?

Response: Yes

s. 5.89A

Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A?

Response: Yes

Did the CEO publish an up-to-date version of the gift register on the local government's website?

Response: Yes

s. 5.90A

Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?

Response: Yes

s. 5.94

Does the local government have information available for members of the public to inspect, free of charge as prescribed under section 5.94 and Admin Reg 29, except where restricted under this section?

Response: Yes

s. 5.96

Where a person is entitled to inspect information under this Division, can the local government confirm that copies are available and that the price at which it sells copies does not exceed the cost of providing them, (unless prescribed otherwise)?

Response: Yes

s. 5.96A

Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995?

Response: Yes

s. 5.104

Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates that incorporates the model code of conduct?

Response: Yes

Did the local government adopt additional requirements in addition to the model code of conduct?

Response: Yes

Does it comply with section 5.104(3) and (4) of the Local Government Act 1995?

Response: Yes

Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website?

Response: Yes

s. 5.128

Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?

Response: Yes

s. 7.12A(3), (4) and (5)

Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?

Response: Yes

Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?

Response: Yes

Was a copy of the report given to the Minister within three months of the audit report being received by the local government?

Response: No

Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website?

Response: Yes

Comments: Partial - Published Interim Management Letter as part of the annual financial reporting process but not independently as a report. Interim Management Letter since published on the website.

Local Government (Administration) Regulations 1996

r. 18F

Were the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the Local Government Act 1995?

Response: Yes

r. 19AB

Does the code of conduct contain the requirement that a local government employee (not including the CEO) must not accept a prohibited gift from an associated person?

Response: Yes

r. 19AC

Does the local government's code of conduct include requirements for the recording, storing, disclosure, and use of information relating to gifts accepted by local government employees (excluding the CEO) from associated persons, in accordance with regulatory requirements?

Response: Yes

r. 19AE

Does the local government's code of conduct include requirements addressing employee behaviour in the performance of duties, interactions with others, use and disclosure of information, use of local government resources and finances, the keeping of records, and the reporting and management of suspected breaches and misconduct, in accordance with regulatory requirements?

Response: Yes

r. 19B

Did the local government include in its annual report all information required under section 5.53(2)(g) and (i) and regulation 3A(2), including number of employee's in salary bands over \$130,000, remuneration and allowances paid, ordered payments, CEO remuneration, council member meeting attendance, available demographic information about council members, and details of any modifications to the strategic community plan or significant modifications to the corporate business plan?

Response: Yes

r. 19C

Has the local government adopted by absolute majority a strategic community plan?

Response: Yes

Comments: 4 year plan major review due in 2027

Adoption date or the date of the most recent review: 21/03/2023

r. 19DA

Has the local government reviewed its corporate business plan in accordance with Admin Regulation 19DA(4)?

Response: No

Comments: Partial - reviewed by management and Council in Briefing Sessions; however, wasn't taken formally to Council and was missed in the Governance Calendar mainly due to the Governance Officer role not being filled at the time. New Governance Officer recently appointed and will take to Council 2026.

Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)?

Response: Yes

r. 22

No response required. This is covered by s5.75.

r. 23

No response required. This is covered by s5.76.

r. 28

No response required. This is covered by s5.88(1).

r. 28A

No response required. This is covered by s5.89A(1).

r. 29

No response required. This is covered by s5.94.

r. 29C

Does the local government publish all prescribed information on its official website— including up-to-date policies, required details of council member and employee returns, council member fees and allowances, and relevant public notices—within the specified timeframes and in accordance with legislative requirements?

Response: Yes

r. 35

Has every local government council member completed and passed the Council Member Essentials course, consisting of the five required modules and delivered by an approved provider, within 12 months of being elected?

Response: Yes

r. 36

Does the local government appropriately identify and document council members who are exempt from the training requirements under section 5.126(1), including verifying that the member:

- has completed an approved course within the specified 5-year period prior to election, or
- completed the LGASS00002 Elected Member Skill Set before 1 July 2019 within the relevant timeframe, or
- qualifies for the transitional exemption applicable to council members in office at the commencement of the 2019 regulatory amendments?

Response: N/A

Local Government (Audit) Regulations 1996

r. 10

Was the auditor's report for the financial year ending 30 June 2025 received by the local government within 30 days of completion of the audit?

Response: Yes

r. 17

Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2025?

Response: N/A

Comments: 19/11/2024 - Resolution 143/24 - within 3 financial years of 31 December 2025

Local Government (Constitution) Regulations 1998

r. 11FA

Did the CEO provide the Minister a report as to the result of the election within 14 days of the declaration and in the form of Form 20 of the Local Government (Elections) Regulations 1997, modified as necessary?

Response: Yes

r. 13

Were all required oaths, affirmations and declarations under section 2.42 (in relation to Commissioners) made in the correct form (Form 8), before the appropriate authorised person?

Response: Yes

Local Government (Elections) Regulations 1997

r. 30G

Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997?

Response: Yes

Comments: No gifts declared

Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997?

Response: N/A

Comments: No gifts declared

Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997?

Response: N/A

Comments: No gifts declared

Local Government (Financial Management) Regulations 1996

r. 5

Has the CEO ensured efficient systems and procedures are established under provisions set out in Financial Management Regulations 5(1)(a) to (g)?

Response: Yes

r. 6

Has the local government ensured that any employee delegated responsibility for day-to-day accounting or financial management operations is not also delegated the responsibility for conducting internal audits, reviewing their own duties, or for managing, directing or supervising someone who carries out these functions?

Response: Yes

r. 7

Did the local government ensure it has regard to the needs of the inhabitants of the district as a whole and not keep separate ward accounts or determine expenditure on the basis of revenue from a ward?

Response: N/A

Comments: Nil wards

r. 8

Does the local government maintain separate accounts with a bank or other financial institution for money to be held in the municipal fund, trust fund and for reserve account purposes?

Response: Yes

r. 9

Did the local government keep separate financial records for each trading undertaking and each major land transaction?

Response: N/A

r. 11

Has the local government developed procedures for the authorisation of, and the payment of, accounts in accordance with Local Government (Financial Management) Regulations 11(1), (2) and (3)?

Response: Yes

r. 12

Were payments made from the municipal fund or trust fund made by the CEO under a delegated authority or authorised, in accordance with regulation 13(2), in advance by a council resolution?

Response: Yes

r. 13

Can the local government confirm that, where the CEO has been delegated authority to make payments from the municipal or trust fund, the CEO prepared accurate monthly lists that are presented at the next ordinary council meeting and recorded in the minutes?

- includes the payee's name, payment amount, payment date, and sufficient information to identify each transaction where payments have already been made; or
- includes the payee's name, payment amount, sufficient information to identify each transaction, and the date of the council meeting (to which the list will be presented) for accounts requiring council approval.

Response: Yes

r. 13A

Did the local government prepare a list each month of all payments made using employee-authorised credit, debit or other purchasing cards, and include the payee's name, the amount of the payment, the date of the payment, sufficient information to identify the payment, and present the list at the next ordinary council meeting (and record in the minutes)?

Response: Yes

r. 19

Has the local government established and documented internal control procedures to enable identification of the nature and location of all investments and any related transactions?

Response: Yes

r. 19C

Has the local government ensured that all investments made under section 6.14(1) comply with statutory restrictions set out in Financial Management Reg. 19C?

Response: Yes

Local Government (Functions and General) Regulations 1996

r. 7

No response required. This is covered by s3.59(2).

r. 9

No response required. This is covered by s3.59(2).

r. 10

No response required. This is covered by s3.59(2).

r. 11A

Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?

Response: Yes

r. 11

No response required. This is covered by s3.57.

r. 12

Did the local government consider the implications of Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract?

Response: Yes

r. 14(1), (3) and (5)

If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents, or each acceptable tenderer notice of the variation?

Response: Yes

r. 15

Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16?

Response: Yes

r. 16

No response required. This is covered by r. 15.

r. 17

Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?

Response: Yes

r. 18(1) and (4)

Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?

Response: N/A

Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?

Response: N/A

r. 19

Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?

Response: Yes

r. 21

Does the local government's advertising and expression of interest processes for limiting who can tender comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22?

Response: Yes

r. 22

No response required. This is covered by r. 21.

r. 23

Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?

Response: N/A

Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?

Response: N/A

r. 24

Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24?

Response: Yes

r. 24AD(2), (4) and (6)

Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions & General) Regulations 1996 regulations 24AD(4) and 24AE?

Response: N/A

If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?

Response: N/A

r. 24AE

No response required. This is covered by r. 24AD(2), (4) and (6).

r. 24AF

No response required. This is covered by r. 24AD(2), (4) and (6).

r. 24AG

Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG?

Response: N/A

r. 24AH(1) and (3)

Did the local government reject any applications to join a panel of prequalified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?

Response: N/A

Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?

Response: N/A

r. 24AI

Did the CEO send each applicant written notice advising them of the outcome of their application?

Response: N/A

r. 24E

Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F?

Response: N/A

r. 24F

No response required. This is covered by r. 24E.

I certify this is a true and accurate copy of the 2025 Compliance Audit Return, as adopted by Council at the meeting of _____ 2026.

CEO

Date

Mayor or President

Date