

AUDIT, RISK AND IMPROVEMENT COMMITTEE

Agenda



Meeting Date - 9 December 2025

Meeting Time - 4pm

To be held at Nabawa, Council
Chambers or Via TEAMS



SHIRE OF

Chapman Valley

love the rural life!

ACKNOWLEDGEMENT OF COUNTRY

The Shire of Chapman Valley would like to respectfully acknowledge the Naaguja peoples who are the traditional owners and first people of the land on which we stand.

We would like to pay our respect to the elders past, present and emerging for they hold the memories, the traditions, the culture and hopes of the Naaguja peoples.

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Chapman Valley for any act, omission or statement or intimation occurring during Council Meeting. The Shire of Chapman Valley disclaims any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council of Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council Meeting does so at that person's or legal entity's own risk.

The Shire of Chapman Valley warns that anyone who has any application or request with the Shire of Chapman Valley must obtain and should rely on written confirmation of the outcome of the application or request of the decision made by the Shire of Chapman Valley.

COMMITTEE PURPOSE & DELEGATIONS

The Committee's objectives are to:

- Assist Council in fulfilling its oversight responsibilities.
- Promote transparency, accountability, and continuous improvement.
- Ensure effective risk management and internal control systems.
- Monitor compliance with relevant legislation and regulations.

- Delegations – Nil

The Audit, Risk & Improvements Committee is comprised of:

4x Councillors

Cr Batten

Cr Rodney

Cr Blakeway

Cr Elliott-Lockhart

Andrew Cambell - External, Independent Member (Chair)

Observers

CEO

Manager Finance & Corporate Services

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1 Declaration of Opening & Announcements of Visitors

The Presiding member will welcome elected members and staff to the committee meeting and declare the meeting open.

“The Shire of Chapman Valley would like to respectfully acknowledge the Naaguja peoples who are the traditional owners and first people of the land on which we stand.

We would like to pay our respect to the elders past, present and emerging for they hold the memories, the traditions, the culture and hopes of the Naaguja peoples.”

2 Announcements from the Presiding Member

3 Record of Attendance

3.1 Attendees

The following are anticipated to attend the Finance, Audit & Risk Management Committee Meeting:

Elected Members

Cr Batten

Cr Blakeway

Cr Elliott-Lockhart

Cr Rodney

External

Andrew Cambell – Independent Member (Chair)

Officers

Jamie Criddle, Chief Executive Officer

Dianne Raymond, Manager Finance & Corporate Services

Beau Raymond, Financial & Digital Systems Coordinator

3.2 Apologies

4 Disclosure of Interest

Local Government Act 1995

Administration Part 5

Disclosure of financial interests and gifts Division 6

s. 5.59

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

Section 5.60A:

“a person has a financial interest in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.”

Section 5.60B:

“a person has a proximity interest in a matter if the matter concerns –

(a) a proposed change to a planning scheme affecting land that adjoins the person’s land; or (b) a proposed change to the zoning or use of land that adjoins the person’s land; or (c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person’s land.”

Regulation 34C (Impartiality):

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

5 Petitions/Deputations/Presentations

5.1 Petitions

The Council has not received any petitions at the time of writing this report

5.2 Presentations

The Council does not anticipate any presentations at the time of writing this report.

5.3 Deputations

The Council has not received any deputations at the time of writing this report.

6 Confirmation of Minutes from previous meetings

Recommendation

That the Minutes of the Finance, Audit and Risk Management Committee Meeting held on 23 December 2024 be confirmed as true and accurate.

7 Items to be dealt with En Bloc

8 Officers Reports

8.1	Independent Auditors Report 30 June 2025
Department	Finance, Governance & Corporate Services Finance
Author	Dianne Raymond
Reference(s)	305.00
Attachment(s)	1. Opinion - Shire of Chapman Valley - 30 June 2025 [8.1.1 - 3 pages]

Voting Requirements

Simply Majority

Staff Recommendation

That Audit, Risk and Improvement Committee recommends to the Council that the Independent Audit Report for the year ending June 2025 be received.

Disclosure of Interest

No officer declared an interest under the Local Government Act 1995, Subdivision 1 (LGA 1995) in the preparation of this report.

Background

The Shire of Chapman Valley has received the Independent Audit Report from its Auditors: Nexia Perth preformed this audit on behalf of the Office of Auditor General.

Comment

Councillors, Chief Executive Officer, Manager of Finance & Corporate Services met (via TEAMS) with representatives from the Office of Auditor General for Western Australia (OAG) and the OAG and Nexia Perth, on 3 December 2025 for an audit exist meeting. Both the OAG and Nexia Perth reported on Key Audit Risks and Focas Areas as outlined in the original Audit Strategy Memorandum.

The shire has now received the independent audit opinion for an unmodified set of financial statements for the year ended 30 June 2025; of which is an extract below:

In my opinion, the financial report :

- is based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2025 and its financial position at the end of that period
- is in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Statutory Environment

Local Government Act 1995 Section 6.4

Policy/Procedure Implications

No Policy or Management Procedure affected.

Financial Implications

Long Term Financial Plan

No major effect is anticipated on the Long-Term Financial Plan.

Strategic Implications

Ensuring the long-term financial sustainability of the Shire of Chapman Valley is critical to maintaining future service delivery for its constituents. The annual audit plays a pivotal role in assessing progress against the Shire's integrated strategic planning, providing valuable insights into its ongoing financial health and capacity to meet future objectives.

Strategic Community Plan/Corporate Business Plan Implications

GOVERNANCE & ACCOUNTABILITY

5.1 Ensure governance and administration systems, policies and processes are current and relevant.

5.1.1 Review policy categories and set ongoing accountability for review processes.

GOVERNANCE & ACCOUNTABILITY

5.3 Make informed decisions within resources and areas of responsibility.

5.3.2 Regular and relevant briefings to Elected Members.

Consultation

Council staff have been in contact and discussion with the Office of Auditor General and Nexus auditors throughout the audit review process.

Risk Assessment

An Insignificant Compliance Risk of Level 1 - Which will likely result in no noticeable regulatory or statutory impact.

8.2 Auditors Management Report 30 June 2025	
Department	Finance, Governance & Corporate Services Finance
Author	Dianne Raymond
Reference(s)	305.00
Attachment(s)	1. Final Management Letter Attachment - Shire of Chapman Valley - 30 June 2025 (1) [8.2.1 - 2 pages] 2. Interim Management Letter to CEO - Shire of Chapman Valley - 30 June 2025 (1) [8.2.2 - 1 page]

Voting Requirements

Simply Majority

Staff Recommendation

The Audit, Risk and Improvement Committee recommends to the Council that the Management Report for the year ending 30 June 2025 be received and actions taken on items listed endorsed.

Disclosure of Interest

No officer declared an interest under the Local Government Act 1995, Subdivision 1 (LGA 1995) in the preparation of this report.

Background

The Shire of Chapman Valley has received the Management Report from its Auditors Nexia Perth who performed this audit on behalf of the Officer of Auditor General (Please refer to Audit Report Letter).

The Shire of Chapman Valley is subject to audit by the Office of the Auditor General (OAG) in accordance with the Local Government Act 1995 (Part 7) and the Local Government (Audit) Regulations 1996, as amended by the Local Government Amendment (Auditing) Act 2017. These provisions mandate that all Western Australian local governments have their annual financial statements audited by the Auditor General or an appointed contractor.

Under section 7.12A of the Local Government Act, councils must examine the audit report, act on any matters raised, and publish a report on significant findings, including actions to address them, on the local government's website and provide a copy to the Minister for Local Government.

Comment

Considerable discussion was undertaken this year in relation to project management. Effective project management and timely completion of initiatives are critical to ensuring

accurate financial reporting and compliance with funding agreements. Delays can affect statutory obligations, financial statements, and future grant eligibility. To maintain accountability and meet acquittal requirements, councils need to adopt robust monitoring and reporting systems supported by clear governance processes.

Management oversight remains essential, as project delays and inadequate tracking can compromise compliance and financial integrity. It is prudent that management implement structured processes to monitor progress, identify risks early, and ensure corrective actions are taken promptly. This includes maintaining accurate documentation and internal controls to support audit evidence and reduce exposure to adverse findings.

The financial statements for the year were updated to align with Australian Accounting Standards, specifically AASB 15 and AASB 1058, which require grant funds with enforceable obligations and performance conditions to be treated as Contract Liabilities until obligations are met. Unspent capital grant funds are generally recorded as Capital Grant Liabilities under AASB 1058. These adjustments ensure compliance with current accounting requirements and improve transparency in financial reporting.

The Management Report for the year ended 30 June 2025 identified one finding rated as moderate, with no impact on the audit opinion. This finding relates to excessive annual leave balances, which pose operational and financial risks. Management has acknowledged the issue and committed to implementing leave management plans and proactive monitoring through payroll reporting to reduce this liability.

Management Report finding for the year ended 30 June 2025

1. Excessive annual leave balances

Finding

During the audit, we noted that five employees had annual leave balances ranging from 355 to 959 hours. Collectively, these five employees account for 70% of the Shire's total annual leave liability at 30 June 2025.

Rating: Moderate

Implication

- Excess annual leave entitlements pose several risks to the Shire, including:
 - Health and safety concerns arising from employees not taking their leave
 - Increased financial liability due to salary increments and associated costs over time
- Reduced effectiveness of internal controls as key staff are not rotated, a preventative control against fraud.

The accumulation of large leave balances could create financial strain if significant amounts of leave are taken at the same time or within a short timeframe. Additionally, there is management risk to the Council if key personnel are on leave for extended periods.

Recommendation

We recommend that management implement a process to regularly monitor excessive annual leave balances and take appropriate measures, such as developing leave management plans, to reduce the implications of excessive leave.

Management comment

Management acknowledges the excessive annual leave balances and agrees with the recommendation. Management will implement appropriate measures to reduce this liability, including developing and implementing individual leave management plans and monitoring leave accruals through monthly payroll reports to proactively address excessive leave balances.

Responsible person: Dianne Raymond, Manager Finance & Corporate Services

Completion date: 30 June 2026

Statutory Environment

Local Government Act 1995 Section 6.4

Policy/Procedure Implications

No Policy or Management Procedure affected.

Financial Implications

Long Term Financial Plan

No major effect is anticipated on the Long-Term Financial Plan.

Strategic Implications

Strategic Community Plan/Corporate Business Plan Implications

GOVERNANCE & ACCOUNTABILITY

5.1 Ensure governance and administration systems, policies and processes are current and relevant.

5.1.1 Review policy categories and set ongoing accountability for review processes.

GOVERNANCE & ACCOUNTABILITY

5.3 Make informed decisions within resources and areas of responsibility.

5.3.1 Council and Shire process formally incorporate integrated plans as references.

5.3.2 Regular and relevant briefings to Elected Members.

Consultation

Council Staff have been in contact and discussion with council auditors throughout the audit review process.

Risk Assessment

An Insignificant Compliance Risk of Level 1 - Which will likely result in no noticeable regulatory or statutory impact.

8.3 Audit Regulation 17 Systems and Procedures Review	
Department	Finance, Governance & Corporate Services Finance
Author	Dianne Raymond
Reference(s)	305.00
Attachment(s)	1. Shire of Chapman Valley Audit Regulation 17 Final Report October 2025 [8.3.1 - 35 pages] 2. Task List for Executive Discussion (1) [8.3.2 - 5 pages]

Voting Requirements

Simply Majority

Staff Recommendation

That the Audit, Risk and Improvement Committee receives the Audit Regulation 17 final report and endorses the actions for continuous improvement and compliance as outlined by the independent consultant.

Disclosure of Interest

No officer declared an interest under the Local Government Act 1995, Subdivision 1 (LGA 1995) in the preparation of this report.

Background

In line with Regulation 17 of the Local Government (Audit) Regulations 1996, the CEO must review the appropriateness and effectiveness of local government systems and procedures regarding risk management, internal control, and legislative compliance every three years. The Shire engaged Badgemore Consulting to undertake this review, the findings of which are now submitted to the Committee.

Regulation 17 CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

(a) risk management; and

(b) internal control; and

(c) legislative compliance.

(2) The review may relate to any or all of the matters referred to in sub regulation

(1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

Comment

The review's objective was to assess current policies, practices, and procedures; to confirm adequacy and effectiveness; and to identify areas for improvement in risk management, internal controls, segregation of duties, legislative compliance, and fraud mitigation controls.

The audit Regulation 17 final report for the Shire of Chapman Valley, prepared by Badgemore Consulting, has been completed in accordance with the Local Government Audit Regulations 1996 requirements. The consultant's review evaluated the effectiveness and appropriateness of systems and procedures in risk management, internal control, and legislative compliance. Recommendations for strengthening these areas were provided, and timely action is advised to ensure compliance and continuous improvement. Below is a summary of these findings:

- The Shire has core systems and frameworks for risk management and internal control, but more regular reviews and wider staff engagement are required.
- Key recommendations include updating risk management policy to reflect the current ISO standard, formally adopting risk criteria and appetite, regularly updating the risk register, and introducing or strengthening education and reporting around risk management.
- Recommendations also cover expanding business continuity testing, formalising IT recovery procedures, broadening finance policy guidance, and developing a dedicated Fraud, Corruption, and Misconduct policy.
- Internal control recommendations highlight the need to update the Delegation Register, develop terms of reference for the Audit, Risk & Improvement Committee, and improve information technology and staff performance review processes.
- Legislative compliance is fundamentally sound, and no major non-compliances were found, but process documentation and assurance systems should be enhanced for continuity and resilience.

To commence the improvement process based on higher risk factors identified in the Badgemore Consulting final report, the following priority tasks are recommended to be actioned first. Each task is directly linked to areas considered to represent significant or moderate risks to the Shire's operations and compliance within the report.

Priority Improvement Tasks as identified by the Manager Finance & Corporate Services

- Update the Risk Management Policy to reflect the new ISO Standard (AS/NZS ISO 31000:2018), reviewing risk criteria and escalation processes, complemented by systematic monitoring and reporting
- Conduct and formally report an annual review of the Corporate Risk Register, including operational and environmental risks

- Develop a Fraud, Corruption and Misconduct Policy, supporting procedures and an Integrity Framework; ensure all new employees sign the Code of Conduct
- Ensure annual performance reviews are conducted for all officers, identifying further training needs as part of a continuous improvement process
- Address outstanding recommendations from the Dry Kirkness Financial Management Review Report (Regulation 5), prioritised and tracked in a new Audit Actions Register
- Broaden Finance Policy, Procedures and Guideline Manual to cover key finance processes and internal controls (suppliers, purchasing, budgeting, payroll, reconciliations)
- Update the Delegations Register on the Shire website, ensuring the latest version is available and approved
- Develop a Terms of Reference for the Audit, Risk and Improvement Committee, to clarify governance and accountability roles
- Enhance information system access controls by creating an Information Technology policy and guidelines manual
- Initiate regular testing of the Business Continuity Plan, including crisis scenarios for IT data breaches and cloud backup recovery

Statutory Environment

The report complies with the requirements of the:

Local Government Act 1995

Policy/Procedure Implications

A Policy or Procedure is affected:

HR & Induction Policy & Procedures

Finance Policy & Procedures

Financial Implications

No Financial Implications Identified.

Strategic Implications

Strategic Community Plan/Corporate Business Plan Implications

GOVERNANCE & ACCOUNTABILITY

5.1 Ensure governance and administration systems, policies and processes are current and

relevant.

5.1.1 Review policy categories and set ongoing accountability for review processes.

Consultation

Council staff consulted in the review process as requested by the external reviewer were Chief Executive Officer, Manager Finance & Corporate Services, Finance & Digital Services Coordinator, Work Health & Safety Coordinator

Risk Assessment

An Insignificant Compliance Risk of Level 1 - Which will likely result in no noticeable regulatory or statutory impact.

8.4	2024/2025 Annual Report and Annual General Meeting of Electors
Department	Finance, Governance & Corporate Services Finance
Author	Dianne Raymond
Reference(s)	413.01
Attachment(s)	1. ARIC Agenda Annual Report 2024-2025 [8.4.1 - 75 pages]

Voting Requirements

Staff Recommendation 1 – **Absolute Majority**

Staff Recommendation 2 – **Simple Majority**

Staff Recommendation

Staff Recommendation 1 (Absolute Majority Vote Required)

The Audit, Risk and Improvement Committee recommends to the Council that is

1. Accepts the Annual Report for the 2024/2025 Financial Year as required by s5.54 of the Local Government Act 1995 as presented.

Staff Recommendation 2 (Simple Majority Vote Required)

The Audit, Risk & Improvement Committee recommends to the Council that it

1. Receives and accepts the Auditors Financial Report for 2024/2025;
2. Receives and accepts the Auditors Management Report 2024/2025;
3. Set the date for the Annual General Management of Electors for **insert date** 2026 commencing at 6.00pm at the Nabawa Council Chamber and advertise this meeting accordingly.
4. Request the CEO give local public notice of the availability of the Annual Report as required by s5.55 of the act.

Disclosure of Interest

No officer declared an interest under the Local Government Act 1995, Subdivision 1 (LGA 1995) in the preparation of this report.

Background

The purpose of this item is to accept the Shire of Chapman Valley 2024/2025 Annual Report, receive the Auditors Report and Management Letter and set a date/time for the Annual General Meeting of Electors.

When considering setting a date for the Annual General Meeting of Electors it is a requirement of s5.27 'Electors General Meeting' of the Local Government Act 1995 this

meeting can be no later than 56 days after accepting the Annual Report (12 December 2025 next Ordinary meeting of Council).

Comment

The recommendation is suggesting the date, time and location to hold the Annual Electors Meeting of Electors as being:

- 6 February 2026
- Commencing at 6.00pm
- Council Chambers, Nabawa
- Bearing in mind that the Act stipulated the Annual General Meeting of Electors must be held not more than 56 days after the local government accepts the annual report for the previous financial year. Therefore, the latest date the meeting could be held is the 6 February 2026.

It is important to maximise attendances at the Annual General Meeting of Electors by constituents, hence the recommendation has suggested a date and time, which is in the evening, after the harvest and school holiday period.

Statutory Environment

No Financial Implications Identified.

Policy/Procedure Implications

No Policy or Management Procedure affected.

Financial Implications

No Financial Implications Identified.

Nil effect on the Long-Term Financial Plan

Strategic Implications

It is considered appropriate to conduct the Annual General Meeting of Electors to retain open and accountable governance and communication with the Shire's constituents.

Strategic Community Plan/Corporate Business Plan Implications

GOVERNANCE & ACCOUNTABILITY

5.1 Ensure governance and administration systems, policies and processes are current and relevant.

5.1.1 Review policy categories and set ongoing accountability for review processes.

Consultation

The Shire President, relevant staff and the Shire's Auditors have been consulted and had input into the development of the 2024/2025 Annual Report.

Risk Assessment

An Insignificant Compliance Risk of Level 1 - Which will likely result in no noticeable regulatory or statutory impact.

- Insignificant risk of non-compliance with legislation to complete this activity in accordance with the Local Government Act and associated Regulations.
- Insignificant risk of not conducting the Annual General Meeting of Electors at an appropriate time/date to provide constituents to opportunity to attend.

9 New Business of an Urgent Nature Introduced by Decision of the Meeting

10 Closure