SHIRE OF SHARK BAY

NOTICE OF MEETING

16 September 2026

AUDIT, RISK AND IMPROVEMENT COMMITTEE AGENDA

PUGGLES – THE SHARK BAY ECHIDNA

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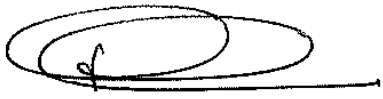
The Shire of Shark Bay advises that no action should be taken on any application or item discussed at a Council meeting and should only rely on **WRITTEN ADVICE** of the outcome and any conditions attaching to the decision made by the Shire of Shark Bay.

The next meeting of the Audit, Risk and Improvement Committee will be held in the Council Chamber at the Shark Bay Recreation Centre, Francis Street, Denham on the 16 September 2026 commencing at 12.00pm.



Dale Chapman
Chief Executive Officer
9 September 2026

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AC1.0 DECLARATION OF OPENING

The Chair Person, Mr Isambert, will declare the Audit Committee open.

AC2.0 ACKNOWLEDGEMENT OF COUNTRY

I would like to acknowledge the Malgana Peoples as the traditional custodians of the land and sea in and around the Shire of Shark Bay.

I pay my respects to their Elders past, present and emerging.

AC3.0 RECORD OF ATTENDANCES / APOLOGIES / LEAVE OF ABSENCE GRANTED

ATTENDANCES

Mr B Isambert	Chairperson
Cr B Bellottie	
Cr C Cowell	
Cr E Fenny	
Cr A Johns	
Cr G Ridgley	
Cr M Smith	
Cr P Stubberfield	
Mr D Chapman	Chief Executive Officer
Ms M Fanali	Executive Manager Community Development / Minute Taker
Ms J Green	Manager, Finance and Administration

APOLOGIES

AC4.0 CONFIRMATION OF MINUTES

AC4.1 CONFIRMATION OF THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 5 FEBRUARY 2025

Moved Cr
Seconded Cr

Officer Recommendation

That the minutes of the Audit Committee meeting held on 5 February 2025, as circulated to all Committee members, be confirmed as a true and accurate record.

AC5.0 AUDIT COMMITTEE REPORTS

AC5.1 LOCAL GOVERNMENT COMPLIANCE AUDIT RETURN TO 31 DECEMBER 2025

CM00013

Author
Executive Assistant

Disclosure of Any Interest
Nil

Moved Cr
Seconded Cr

Officer Recommendation

1. **That the Audit, Risk and Improvement Committee recommend that Council adopt the Local Government Compliance Audit Return for the period 1 January 2025 to 31 December 2025 as shown in attachment 1.**

2. **The Audit, Risk and Improvement Committee recommend that Council authorises the certification to be jointly completed by the President and the Chief Executive Officer in accordance with Regulation 15 of the Local Government (Audit) Regulations 1996.**

Purpose
To refer the Shire's responses to the Local Government Inspector's 2025 Compliance Audit Return to Council for its consideration and adoption.

Comments
In accordance with Regulation 14 of the Local Government (Audit) Regulations 1996, the Shire is required to carry out an annual audit of statutory compliance in the form approved by the Local Government Inspector.

The Compliance Audit Return ensures local governments review their compliance with key legislative requirements under the *Local Government Act 1995* and associated regulations. This promotes accountability, transparency and good governance across the sector.

The role of the Inspector is to:
• Prepare and issue the required Compliance Audit Return form;
• Ensure integrity and accuracy of compliance reporting;
• Intervene early if a Compliance Audit Return reveals systemic non-compliance; and
• Appoint monitors to assist local governments in resolving issues.

With the introduction of the Local Government Inspectorate, there were a number of changes to the statutory requirements for which a compliance audit is needed, and these changes were outlined in Regulation 13 of the Local Government (Audit) Regulations 1996, published on 1 January 2026.

The Audit, Risk and Improvement Committee's role includes the requirement to review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance.

The 2025 Compliance Audit Return for the period of 1 January 2025 to 31 December 2025 contains questions relating to the prescribed statutory requirements in Regulation 13 of the Local Government (Audit) Regulations 1996.

The Compliance Audit Return covers compliance categories contained within the following legislation:

- 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.

Background

The Statutory Compliance Audit Return for the period 1 January 2025 to 31 December 2025 is due. Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996* require all local governments to complete the Statutory Compliance Audit Return.

The Compliance Audit Return is to be –

1 Presented to the Audit, Risk and Improvement Committee
2 Presented to Council at a meeting of the Council.
3 Adopted by the Council.
4 The adoption recorded in the minutes of the meeting at which it is adopted.

After the Compliance Audit Return has been presented to the Council, a certified copy of the Return along with the relevant section of the minutes and any additional information explaining or qualifying the Compliance Audit Return is to be submitted to the Director General, Department of Local Government by 30 September 2026.

All questions were completed and there were Four (4) areas of non-compliance identified as listed below;

Local Government Act 1995		
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?	No – Local Laws review will be presented to Council at the December 2026 Ordinary Council meeting.
S 7.12A(3), (4) and (5)	Within 14 days after the local government gave a report to the Minister under section	Council's Annual Report 2024/2025 was placed on Council

	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?	website as an attachment to the Ordinary Council meeting held on the 25 February 2026, as no Council meeting in the month of January. The report was not placed onto Council's public documents until the 17 March 2026
Local Government (Administration) Regulations 199		
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 verifying that the member: - has completed an approved course within the specified 5 year period prior to election, or - has completed the LGASS00002 Elected Member Skill Set before 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?	All Councillor's have been verified as to training that is required but did not mark the one Councillor that is exempt on the website.
Local Government (Audit) Regulations 1996		
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?	No – Last adopted by Council on the 31 July 2019 Item 12.4. Moore Australia has since been engaged and have undertaken the Reg 17 review and the report will be presented to the Audit, Risk and Improvement Committee scheduled to be held on the 16 September 2026 and then presented if approved to the Ordinary Council meeting scheduled to be held on the 30 September 2026.

Legal Implications
Following Council's adoption, the 2025 Compliance Audit Return must be submitted to the Local Government Inspector by 30 September 2026.

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

Policy Implications
There are no policy implications relative to this report

Financial Implications
There are no financial implications relative to this report

Strategic Implications
There are no strategic implications relative to this report

Attachments
Compliance Audit Return as Attachment # 1 at the end of this report.

Voting Requirements
Simple Majority Required

Signatures
Chief Executive Officer *D Chapman*

Date of Report 31 August 2026

ATTACHMENT # 1

GOVERNMENT OF WESTERN AUSTRALIA

Local Government Inspector

2025 Compliance Audit Return

Local Government Authority: The Shire of Shark Bay

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

Comments: Special Council meeting held on the 29 October 2025

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: No

Comments: Local Law Review will be presented to Council at the December 2026 Ordinary Council meeting.

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: N/A

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: N/A

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: N/A

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: Yes

Comments: Presented to the Ordinary Council meeting held on the 26 February 2025 Item 10.2 - Carried by Absolute Majority

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: Yes

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: Yes

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

Comments: Ordinary Council meeting held on the 27 August 2025 Item 10.1

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: Yes

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

Comments: Adopted at Ordinary Council meeting held on the 25 March 2020 Item 11.2 and has been published on Council's website. Council is in the process of reviewing all Council Policies and when completed will be put to a future Ordinary Council meeting.

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

Comments: An updated Code of Conduct for Council members etc will be presented to the September 2026 Ordinary Council meeting.

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

Response: N/A

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: Yes

Comments: Sent from the Office of the Auditor General on the 11 December 2025

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: No

Comments: Council's Annual Report 2024/2025 was placed on Council Website as an attachment to the Ordinary Council meeting held on the 25 February 2026, as no Council meeting is held in the month of January. The report was not placed into Council's public documents until the 17 March 2026.

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: N/A

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

Adoption date or the date of the most recent review: 27/08/2025

r. 19DA

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

Response: Yes

Date of review: 27/08/2025

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: N/A

Comments: the newly elected Councillors 12 month period after Council election is not until October 2026. All other Councillors were current.

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: No

Comments: Did not mark the one Councillor that were exempt from training.

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: No

Comments: Last adopted by Council on the 31 July 2019 Item 12.4. Moore Australia have since been engaged and have undertaken the Reg 17 reporting and the report will be presented to the Audit, Risk and Improvement Committee scheduled to be held on the 16 September 2026 and then presented if approved to the Ordinary Council meeting schedule to be held on the 30 September 2026.

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: N/A

Comments: No disclosure of gifts sublmitted by candidates

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: Yes

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: Yes

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: Yes

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: Yes

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: N/A

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: N/A

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: N/A

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: N/A

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: N/A

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: N/A

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: N/A

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: Yes

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: Yes

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: Yes

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

AC5.2 REVIEW OF FINANCIAL MANAGEMENT, RISK MANAGEMENT, LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS
CM00013

Author
Chief Executive Officer

Disclosure of Any Interest
Nil

Moved Cr
Seconded Cr

Officer Recommendation

The Audit, Risk and Improvement Committee:

1. **Receives the attached report by the Chief Executive Officer detailing the results of the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls.**

2. **Notes that, although the review was undertaken and the report finalised in September 2025 under the former regulation 17 of the *Local Government (Audit) Regulations 1996*, the report remains relevant and appropriate for the purposes of the regulations as presently in force.**

3. **Recommends that Council receive a copy of the finalised Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls.**

Purpose of Report
To present to the Audit, Risk and Improvement Committee the results of the review of the appropriateness and effectiveness of the Shire's systems and procedures in relation to systems and procedures in relation to financial management, legislative compliance and risk management, as required by regulation 17 of the Local Government (Audit) Regulations 1996.

Background
During 2024, the Shire requested quotations for appropriate consultants to assist the Chief Executive Officer to perform reviews required by legislation relating to the appropriateness and effectiveness of financial management, risk management, legislative compliance systems and processes as required by legislation. Moore Australia WA were engaged to assist with this service and attended the Shire from 28 April to 1 May 2025 to perform the required fieldwork and prepare a report to assist the Chief Executive Officer in reporting the results of the reviews performed. The review and associated consulting and advisory services were finalised in September 2025.

The review was undertaken, and the report prepared under the statutory framework in force at that time. That framework has since changed. Audit committees transitioned to Audit, Risk and Improvement Committees from 1 January 2026, and regulations 16 and 17 of the Local Government (Audit) Regulations 1996 were replaced with effect from the same date. The effect of those changes on this report is addressed under Statutory Environment below.

Comments

The attached report includes a summary of matters noted during the review, as well as improvements to be considered by the Shire and comments from the executive team in response to some findings. A risk assessment working document, summarising the findings and improvements noted within the report, has been prepared for internal use by the executive. That working document may assist with future status reports as improvements are implemented and completed by responsible officers.

Matters For the Committee's Attention

Two matters are drawn to the Committee's attention.

1. The findings of the review are to be read as addressing all three matters now covered by regulation 17 of the Local Government (Audit) Regulations 1996, including financial management, rather than as two separate reviews. The interval before each matter must next be reviewed is now four financial years rather than three, and the timing of the next review will be determined on that basis.

2. Council Policy 1.18 Internal Control Policy and Council Policy 1.19 Compliance Management Policy both refer to the former Audit Committee, and both state review cycles drawn from the former regulations. Those policies require consequential amendment.

Statutory Environment

At the time the review was undertaken and the report prepared, regulation 17 of the Local Government (Audit) Regulations 1996 required the Chief Executive Officer to review the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance, with each of those matters to be the subject of a review not less than once in every three financial years. A review of financial management systems was separately required by regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. The review was scoped, undertaken and reported on that basis.

Local Government (Audit) Regulations 1996 Regulations 16 and 17 were subsequently replaced by the Local Government Regulations Amendment Regulations (No. 4) 2025 (SL 2025/211), with effect from 1 January 2026. Local Government (Audit) Regulations 1996 regulation 17 now requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems and procedures in relation to financial management, legislative compliance and risk management, to review each of those matters not less than once in every four financial years, and to report the results of each review to the audit, risk and improvement committee. Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996

was deleted by the same instrument, so that the financial management review now forms part of the review required by regulation 17.

Although the review was undertaken and the report finalised in September 2025, prior to those amendments taking effect, the report remains relevant and appropriate for the purposes of the regulations as presently in force. The review examined the same three matters now specified in regulation 17(1), being, financial management, legislative compliance and risk management, and examined the internal controls by which those risks are treated. The amendments altered the maximum interval between reviews, consolidated the separate financial management review into regulation 17, and changed the name of the body to which the results are reported. They did not alter the subject matter to be reviewed, or the requirement that the Chief Executive Officer assess the appropriateness and effectiveness of the systems and procedures relating to that subject matter.

Local Government (Audit) Regulations 1996 regulation 16 sets out the functions of the audit, risk and improvement committee. These include receiving and reviewing reports on and recommending to the council actions to be taken in relation to reviews under regulation 17, and receiving and reviewing reports on, and recommending to the council improvements to, the implementation of any actions the local government decides to take in response.

Policy Implications

Council Policy 12.1 Risk Management Policy outlines Shire's commitment and approach to managing risks impacting on day-to-day operations and the delivery of strategic objectives. Council Policy 1.18 Internal Control Policy and Council Policy 1.19 Compliance Management Policy require consequential amendment to reflect the current regulations.

Financial Implications

Provision was included in the 2024/25 Adopted Budget for Moore Australia (WA) to assist the Chief Executive Officer with undertaking the required review of the appropriateness and effectiveness of financial management, risk management and legislative compliance systems and processes. There are no further financial implications arising from receiving the report.

Strategic Implications

Strategic references within the Shire of Shark Bay's Council Plan 2023-2033 demonstrate connections between services and the desired outcomes and community vision for the Shire, particularly in relation to Action 7.2.3 - Aspire to a high level of legislative compliance throughout the organisation.

Risk Assessment

This item has been evaluated against Council Policy 12.1 Risk Management Policy and the supporting Risk Management Framework. The perceived level of risk is high prior to treatment. Receipt of the report, and the progression of the risk management activities aligned with the Risk Management Framework, will reduce the risk to low.

A residual risk would arise if the report were treated as no longer relevant because of the amendments taking effect after it was finalised. That risk is addressed under Statutory Environment above, which records why the report remains relevant and appropriate for the purposes of the regulations as presently in force.

Attachments
Shire of Shark Bay Financial Management Audit Regulation 17 Review – Summary Report as Attachment # 1 at the end of this report.

Voting Requirements
Simple Majority Required

Signatures
Chief Executive Officer *D Chapman*

Date of Report 8 September 2026

ATTACHMENT # 1

MOORE

Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls

Summary Report

Shire of Shark Bay

September 2025

Contents

1.0 Engagement Overview

1.1 Scope of Services

The Shire of Shark Bay (the shire) engaged Moore Australia (WA) to provide consultancy and advisory services with a dual purpose, firstly to provide a report to assist the CEO to perform select reviews required by legislation. This engagement set out to assist the CEO to report to the Audit Committee on the appropriateness and effectiveness of the shire's risk management, internal controls and legislative compliance systems and procedures as required by the *Local Government (Audit) Regulations 1996 regulation 17*. Secondly, to examine financial management systems to highlight the appropriateness and effectiveness of these systems and procedures to assist the CEO in undertaking a review as required by *Local Government (Financial Management) Regulations 1996 regulation 5(2)(c)*.

For efficiency, these services were undertaken simultaneously, and the results contained in this single report. Financial management systems and procedures are considered a subset of broader overall risk management, legislative compliance and internal controls. The matters examined in respect of financial management systems are detailed in Appendix A. Where opportunities for improvement were identified, they are reported within the relevant section of the risk management, legislative compliance and internal controls framework design, implementation and evaluation sections of this report.

The results of the examination of risk management, legislative compliance and internal controls review are to be reviewed by the CEO and reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and on-report to Council. The report from the Audit Committee to Council is required to have attached a copy of the CEO's initial report to the Audit Committee.

1.1.1 Procedures – Financial Management Review

Our procedures for the Financial Management Review encompassed a review of the shire's financial systems including, but not necessarily limited to:

- Collection of money owed;
- Custody and security of money and investments held;
- Rates;
- Maintenance and security of financial records;
- Accounting and controls for revenue and expenses;
- Accounting and controls for assets and liabilities;
- Accounting and controls for trust transactions;
- Authorisation of purchases;
- Authorisation of payments;
- Borrowings;
- Maintenance and processing of payroll;
- Stock controls and costing records;
- Record keeping for financial records;
- Preparation of budgets and budget reviews; and
- Preparation of financial reports.

Our procedures and approach have been developed over a number of years, taking into account our extensive local government background and seeks to examine both financial systems and procedures in use.

The consulting services to assist the CEO to undertake the financial management review does not examine systems and procedures which are non-financial in nature and did not specifically test for legislative breaches. These were examined as part of the analysis of risk management, legislative compliance and internal control systems and processes.

1.0 Engagement Overview (continued)

1.1.1 Procedures – Risk Management, Legislative Compliance and Internal Controls Review

Our procedures to assist the CEO to perform their systems and procedures review, as required by regulation 17 of the *Local Government (Audit) Regulations 1996*, encompassed the following services:

- A review of the risk management systems policies, procedures and plans in place at the shire;
- Evaluate the non-financial/operational internal control systems and procedures at the shire;
- Assess systems and procedures for maintaining legislative compliance; and
- Prepare a report of matters identified during our engagement to assist the CEO to assess the appropriateness and effectiveness of the relevant systems and procedures in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.

To undertake these procedures, we applied the following methodology:

- Conduct interviews with key personnel involved in risk management, financial management and the shire's adherence to legislative requirements;
- Identify the extent of commitment and mandate to risk management principles, using AS/NZS ISO 31000:2018 as the framework, within the overall risk management framework;
- Review each component of risk management, legislative compliance and internal controls after considering the overall risk environment, governance structure and internal control environment;
- Assess the gaps, if any, between the current processes and the expected risk management, internal controls and legislative compliance systems and procedures and recommend suggested improvements; and
- Report to the CEO to assist their assessment on the appropriateness and the effectiveness of current systems and procedures.

The service was undertaken through a high level review given the scale, variety and breadth of non-financial activities and considered, as a minimum, the issues identified by the Department of Local Government, Sport and Cultural Industries to Local Government Operational Guideline Number 09 – Audit in Local Government (listed in Appendix E).

1.2 Conflicts of Interest

We are currently engaged by the Shire of Shark Bay to provide services from September 2023 to September 2026 as listed below. Our work involved direct community engagement and subsequent reporting, compilation of information from the records of Shire of Shark Bay, and we did not process any entries within the shire's financial systems. Our services included:

- Accounting support services for preparation of selected financial reports;
- Accounting support services for budget services; and
- Integrated Planning and reporting services (2023 & 2025).

We do not view this as conflicting with this consulting and advisory engagement for the Shire of Shark Bay given select financial reports are public documents subject to scrutiny by the Office of the Auditor General and their contract auditors. We are not privy to any additional confidential information as part of this work which would or could impact our independence.

We obtained approval from the shire to utilise information we have obtained as part of our engagement with the Shire of Shark Bay to state within our report we are examining reports or information we have assisted in compiling. We believe the transparent reporting of our involvement in the preparation of some information, our discussions with management on the matter and given the audit processes for local government, should be sufficient to mitigate any conflicts of interest.

2.0 Review Context

2.1 Review Context - Shire of Shark Bay

Understanding the external and internal context in which the shire operates, relevant to financial management, risk, the internal control environment and legislative compliance obligations, as it seeks to achieve its overall strategic objectives is important to the review of the related systems and procedures.

The external and internal environmental influences identified during the review are set out below:

External Influences	Internal Influences
Increasing community expectations in relation to service levels and delivery.	The objectives and strategies contained in the current Plan for the Future.
Rapid changes in information technology, changing the service delivery environment.	The timing and actions contained in the current Plan for the Future.
Increased compliance requirements due to government policy and legislation.	Organisational size, structure, activities and location.
Cost shifting by the Federal and State governments.	Human resourcing levels and staff retention.
Reducing external funding for infrastructure and operations.	The financial capacity of the shire.
Changes in mining and pastoral practices and the associated social impacts.	Allocation of resources to achieve strategic outcomes.
Climate change and subsequent response.	Maintenance of corporate records.
Significant seasonal population increase and subsequent pressure on Council services	
Extensive increase in non-rateable land requiring road access	
Global economic uncertainty	

3.0 Review Summary

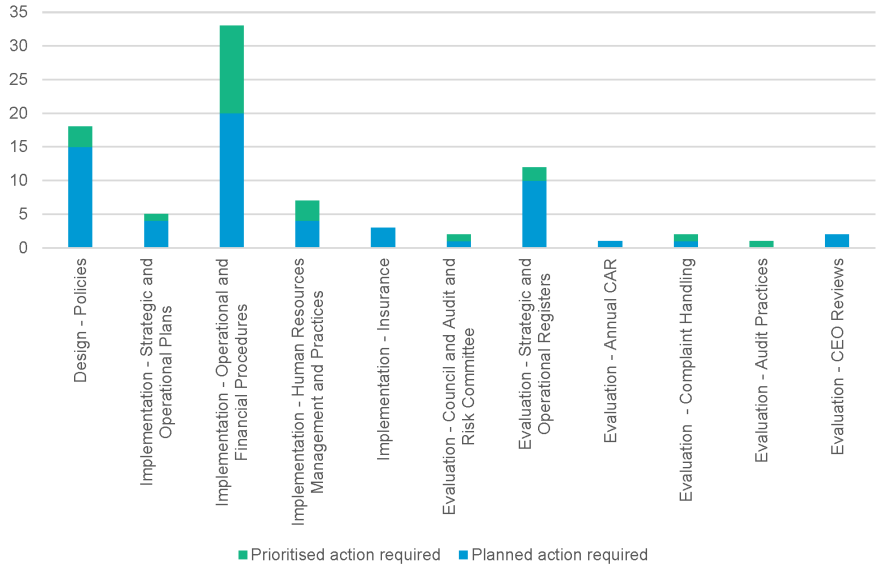
3.1 Overall

Operations of a regional local government seek to provide numerous services across multiple business areas to deliver the objectives and aspirations of the community. This involves commitment and dedication from staff, and while local government operations are diverse, they are also complex and involve a number of people making decisions across a large number of areas of operations. The Shire of Shark Bay is highly reliant on a small team of senior decision makers to govern its operations whilst trying to ensure sound financial and risk management through internal controls and seeking to achieve a high level of compliance. These efforts were highlighted during our review with management noting planned action across a number of matters raised. The maintenance of continued and sustained efforts toward improvements, high levels of compliance and effective controls is encouraged into the future.

The onsite component of our services was undertaken (performed late April/early May 2025) by first determining an appropriate framework for the shire against which current policies, procedures and actions could be assessed and is described further in section 5.0. A number of areas for improvement were identified during the review. As the shire has limited resources the areas identified for improvement have been split between those requiring prioritised action and those requiring planned action as it will require resources and time to address a number of the matters raised.

The chart below reflects the number of improvements identified within each area of the framework examined.

3.1.1 Number of Improvements Identified by Framework Element



Details of each matter and improvement identified under the framework elements has been provided to the CEO and management within a separate document. Key improvements are provided for each of the examined areas, financial management, risk management, internal control and legislative compliance within the report provided to the CEO.

3.0 Review Summary (continued)

3.2 Financial Management

The shire has a number of financial management system controls to cover the wide variety of operations undertaken. Council has responsibility for the adoption of the annual budget and annual report, review of the monthly statement of financial activity and review of the monthly list of payments. Responsibility for the financial management of the shire rests with the CEO, as detailed under *Local Government (Financial Management) Regulations 1996* regulation 5(1).

3.2.1 Appropriateness

Considering the size, resources, variety of operations and the context in which the shire operates, documented internal control procedures relating to financial management systems, are considered largely appropriate as a means of maintaining a high level of control over the financial management of the shire, subject to control weaknesses being addressed.

Weaknesses were identified with some current financial controls and procedures. These are explained within a separate report provided to the CEO. Our assessment as to appropriateness is subject to identified weaknesses being addressed, and provided internal control procedures are routinely and consistently applied.

3.2.2 Effectiveness

Considering the results of other elements of financial management systems and processes where documented and routinely tested, the current practices undertaken by the Shire of Shark Bay may be considered generally effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed in the report provided to the CEO.

Controls currently exist in relation to a number of key financial management systems, though weaknesses were identified where internal controls are not considered effective. These are explained in the report provided to the CEO.

3.2.3 Improvements

Key improvements to the appropriateness and effectiveness of financial management, systems, procedures and internal controls include:

- IT general controls;
- General journal controls;
- Asset disposals;
- Procurement controls;
- Stock controls;
- Purchasing cards;
- Revenue controls;
- Security controls for cash handling;
- Payroll controls;
- Debtor management procedures;
- Change of banking details; and
- Balance sheet reconciliations.

3.0 Review Summary (continued)

3.3 Risk Management

Risk management activities in local government should aim to facilitate an integrated and organisation wide approach to risk management practices. These activities would generally include routine and consistent consideration of risks (existing, new and emerging), as well as mitigations available to minimise risk levels, from both a 'top down' perspective as well as 'bottom up' perspective. These activities should be consistently applied through operational systems, processes and controls.

The shire updated its Risk Management Policy, aligned to ISO 31000:2009 and accompanying procedures to formalise its risk management processes in February 2017. The risk management policy and supporting procedures form the basis for risk management activities within the shire.

3.3.1 Appropriateness

Currently, a documented entity wide Risk Management Policy and supporting procedures is in existence to guide the implementation of risk management throughout the shire. The current policy is based on the previous Risk Management Standard, AS/NZ ISO 31000:2009, which was updated in February 2018 to AS/NZ ISO 31000:2018. The updates to the Standard were to highlight the leadership of top management and integration of risk management in organisations, along with the iterative nature of risk management. Update of the Shire's policy and development of a framework or strategy to align to the new standard is encouraged to help ensure the appropriateness of risk management practices.

Considering the size, resources, operations and the context in which the shire operates, a documented risk management policy and procedures aligned to ISO 31000:2018 is considered an appropriate means of uniformly supporting decision making and documenting the organisation's response to risks.

3.3.2 Effectiveness

The current risk management policy reflects the Shire's commitment to organisation wide risk management principles, systems and processes aimed at optimising the achievement of objectives, embedding controls to mitigate risk, improving corporate governance and planning for continuity of critical operations. To assist with the delivery and application of these processes, updates and further development of risk management systems and processes are required to be implemented throughout the organisation in order for risk management processes and procedures to be considered effective.

3.3.3 Improvements

Key matters for improvements to risk management practices and policies are summarised as follows:

- Review and amend the current risk management policy to align to the Risk Management Standard, ISO 31000:2018;
- Develop and implement a risk management framework / strategy aligned to the current Risk Management Standard, ISO 31000:2018;
- Develop and apply risk management activities to existing practices in accordance with any adopted risk management policy and procedures. Ensure procedures correctly reflect the context of the organisation and current practices, and align to the Risk Management Standard, ISO 31000:2018;
- Develop and maintain an ICT strategic plan;
- Review contractor insurance to ensure contractors have appropriate insurance;
- Undertake a comprehensive ICT security review; and
- Ensure appropriate management of operational risks for high risk areas.

3.0 Review Summary (continued)

3.4 Internal Control

A formal internal control policy (1.18) was adopted by the shire in February 2017. The policy aims to guide the shire to apply an iterative risk based approach to evaluating the internal controls, systems and procedures, as well as providing a mechanism whereby regular review and updates occur.

The principles of internal controls are not limited to administrative and financial control activities as they extend to all facets of operations. While the CEO is generally responsible for developing and maintaining internal control frameworks, all levels of the organisation should be accountable for the documentation and implementation of systems, controls, processes and procedures in their own area of responsibility. They all perform a function in the internal control framework.

Internal controls are of critical importance to operations and should provide for appropriate segregation of duties, experienced and qualified staff, risk management, documented procedures and effective monitoring and adherence. However inherent limitations will always be present in internal control frameworks and mechanisms where routine review and regular updates occur and may assist to ensure control environments are suitable.

We observed officers are aware a number of improvements to internal controls are required to be reviewed or developed with the objective of improving the existing framework and reducing gaps where weaknesses have been identified.

3.4.1 Appropriateness

Considering the size, resources, operations and the internal/external context in which the shire operates, the internal control framework, procedures and systems as described to us are considered appropriate for most areas of operations, subject to the identified improvements being in place. We identified internal controls where further improvements may be implemented, as described within the report provided to the CEO.

3.4.2 Effectiveness

Considering the overall results of monitoring and compliance practices undertaken by the Shire of Shark Bay, the current internal control framework, procedures and systems (where documented and routinely tested) may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements provided in the report to the CEO addressing weaknesses where breakdown in controls have contributed to non-compliance matters and other risks.

3.4.3 Improvements

Detail of the recommended improvements to the current internal control framework, procedures and systems are provided in detail to the CEO with selected key improvements to internal controls summarised as follows:

- Update the internal control policy, promoting a risk-based approach to the further development and maintenance of documented internal controls and procedures. Continual risk based assessment of appropriate controls throughout the organisation will assist to identify the need for new controls and identify existing outdated and unnecessary controls to be discontinued;
- Review, finalisation, testing and maintenance of the Business Continuity Response Plan;
- Develop and maintain a number of registers to improve existing internal controls (see section 8.2);
- Undertake appropriate training at induction and at regular intervals to ensure staff are fully aware of, and understand, relevant internal controls;
- Develop documented key internal control procedures, checklists or workflow diagrams;
- Define procedures to manage changes to internal controls; and
- Implement financial management control recommendations discussed at section 3.2 report.

3.0 Review Summary (continued)

3.5 Legislative Compliance

General principles of good governance often refer to the application of appropriate policies and procedures to assist with ensuring appropriate measures are in place to uphold high levels of legislative compliance. The resources allocated to these structures will vary according to the context of individual local government operations. Formalised processes are designed to provide a consistent structure to guide the prioritisation of resources toward achieving compliance requirements and integration into the operations of the local government.

A compliance management policy (1.19) to communicate expectations of Council in relation to legislative breaches and regulatory compliance was adopted in October 2017. Legislative compliance at the Shire of Shark Bay is also largely dependent upon the knowledge and experience of senior staff and their individual desire to achieve high levels of legislative and regulatory compliance.

3.5.1 Appropriateness

Considering local governments generally maintain a low risk appetite for breaches of legislation, the current legislative compliance policy may be considered appropriate for good governance and should be adhered to. While reliance on experienced senior staff for legislative compliance may be considered appropriate in some instances, it also carries high risk where the number of experienced senior staff is low. A number of areas were noted where improvements for managing compliance may be made, these are detailed in a separate report provided to the CEO.

3.5.2 Effectiveness

We did not observe evidence of reporting occurring as required by the legislative compliance policy relating to legislative compliance breaches. Maintaining legislative compliance is instead heavily reliant on the knowledge, experience and commitment of senior staff, to identify and prevent breaches of legislation. As a consequence, staff turnover, competing priorities and variations in workloads may have a significant negative impact on legislative compliance. Therefore, one of the most effective controls in maintaining legislative compliance is a motivated, stable, experienced and knowledgeable senior management group in addition to a compliance framework to ensure required compliance tasks are considered and actioned.

Some instances of non-compliance with legislative requirements were identified during our review. Apart from the identified breaches of legislation, and in the instances where effectiveness was able to be assessed, the current legislative compliance framework may be considered effective. Our assessment as to effectiveness is subject to the implementation of the improvements detailed in the report provided to the CEO.

3.5.3 Improvements

Improvements to the current legislative compliance framework, including ongoing development of processes to monitor and report on legislative compliance have been identified and are summarised as follows:

- Review the compliance management policy 1.19 to include consider current strategic objectives and practicalities of policy requirements in relation to legislative compliance and management of compliance breaches;
- Maintain statutory registers as required by legislation;
- Ensure all items required by legislation to be published on the website are updated and maintained on the website with procedures to document when they are uploaded or modified;
- Further development and approval of authorised checklists for functions which require a high level of legislative compliance; and
- Develop and maintain a staff training matrix and coordinate training across the shire. A risk based training matrix should help ensure staff with the responsibility for preventing, identifying and reporting breaches of legislation, are offered relevant training to ensure their knowledge of legislative requirements is maintained and qualifications are maintained and up to date where required.

4.0 Methodology

4.1 Review Methodology – Financial Management Review

The objective of this review is to assist the CEO of the Shire of Shark Bay to discharge responsibilities in respect to regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*.

In performing this consulting service, we examined documented policies / procedures, undertook walkthroughs of key systems and procedures and performed limited detailed testing procedures to identify weaknesses and identify opportunities for improvement in the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within the shire, as required by regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

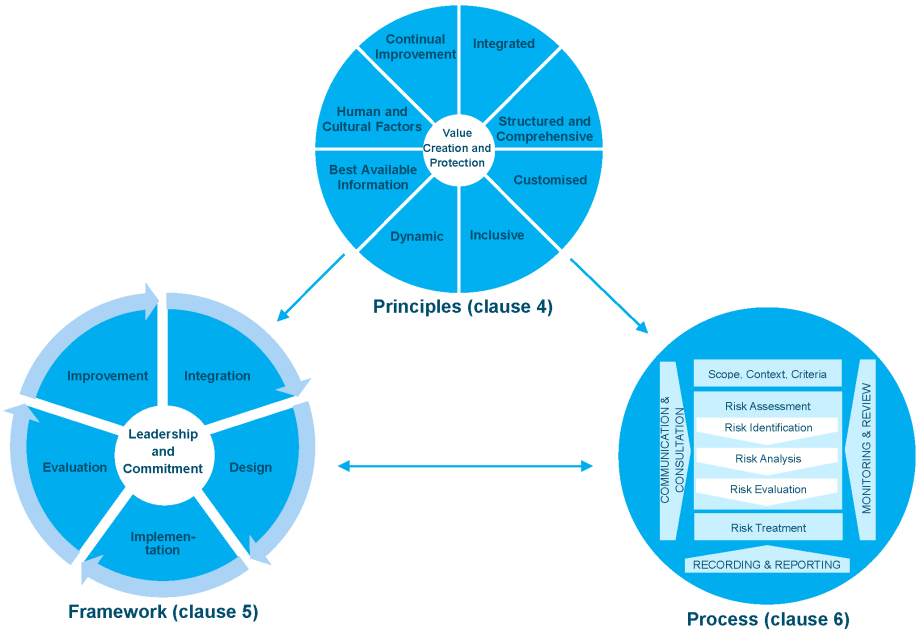
4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls

The primary goal of this service is to assist the CEO in their assessment as to the appropriateness and effectiveness of the shire systems and procedures in relation to risk management, legislative compliance and internal controls.

Internal controls are designed to treat risks and form part of the risk management process. Non-compliance with legislation is one of the risks that would usually be identified as a consequence of applying a risk management process.

The Australian Standard for Risk Management, ISO 31000:2018(E), identifies three components in the application of risk management, being Principles, Framework and Process, as set out in Diagram 1 below.

Diagram 1. Risk Management Principles, Framework and Process



Source: Australia/New Zealand Standard ISO 31000:2018

4.0 Methodology (continued)

4.2 Review Methodology – Risk Management, Legislative Compliance and Internal Controls (continued)

In undertaking this consulting engagement, we have applied the three ISO 31000:2018 framework components, as set out on the previous page, to the review topics (risk management, internal controls and legislative compliance). This involves a process incorporating the five risk management framework components, Integration, Design, Implementation, Evaluation and Improvement, into the review of systems and processes:

- Identify the extent of leadership and commitment to the principles;
- Assess the extent of integration of risk management within the shire;
- Assess the design of the current framework through an understanding of the shire and the context within which it operates (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the implementation of the current framework;
- Assess the extent of evaluation of the current framework and its effectiveness in supporting the shire's objectives;
- Assess the current framework and improvements to the suitability, adequacy and effectiveness of the framework;
- Examine the current process for the shire's systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing context, assessing, treating, monitoring, reviewing, recording and reporting risk, internal controls and legislative compliance; and
- Report to the CEO to assist their assessment on the appropriateness and effectiveness of current systems and procedures.

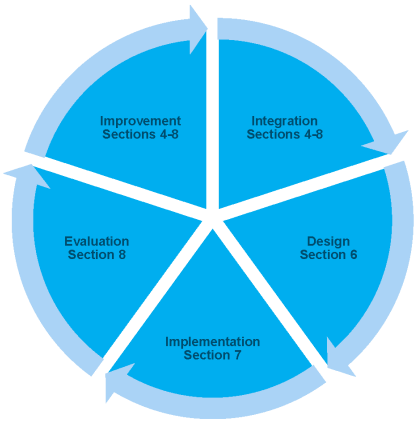
This evaluation is based on interviews with key staff, examination of requested documentation listed in the Appendices and reference to any external audit reports or reviews previously conducted.

5.0 Appropriate Framework

5.1 Risk Management, Internal Control and Legislative Compliance

The following framework was identified as being appropriate for risk management, internal control and legislative compliance for the Shire of Shark Bay, after consideration of the current internal and external influences, detailed in section 2.1.

Diagram 2. Risk Management, Internal Control and Legislative Compliance Framework



Source: Australia/New Zealand Standard ISO 31000:2018

A high-level analysis of risk management systems, internal controls and legislative compliance was undertaken which precluded detailed testing in all areas.

The results of our service, as outlined and detailed within the report to the CEO for implementation of improvements, are set out with reference to the structure of the above framework. We assessed the following areas:

Design	Implementation	Evaluation
6.1 Strategic Plans	7.1 Strategic and Operational Plans	8.1 Council and Audit Committee
6.2 Council Policies	7.2 Operational and Financial Procedures	8.2 Strategic and Operational Registers
	7.3 Human Resource Management and Practices	8.3 Annual Compliance Audit Returns
	7.4 Insurance	8.4 Complaint Handling
		8.5 Audit Practices
		8.6 Reviews required by the CEO

Integration along with Leadership and Commitment were assessed within each of the elements of the framework.

6.0 Other Matters

Disclaimer

Since the service provided in terms of this engagement comprise an advisory engagement and is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management in undertaking the consulting engagement. Accordingly, we do not express an audit opinion or a review conclusion to convey assurance for the service/s performed within our report.

Moore Australia (WA), a Perth based partnership of trusts ("the firm"), carries on business separately and independently from other Moore Australia member firms around Australia and Moore Global firms worldwide.

Sole Recourse

Services provided under this engagement are between the Shire of Shark Bay and Moore Australia (WA) Pty Ltd. Throughout this document, a reference to Moore Australia refers to Moore Australia (WA) Pty Ltd trading as agent ABN 99 433 544 961. The relationship is solely with Moore Australia (WA) Pty Ltd in respect of our appointment as professional advisors.

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Appendix A - Financial Management Systems Review

The following assessments were undertaken to evaluate the appropriateness and effectiveness of financial management system controls. Where we were unable to examine systems and procedures, comment has been provided throughout our report.

System	Description of Assessment
Bank reconciliation and petty cash management	Examination of procedures and review of maintenance and management practices undertaken by staff.
Trust funds	Examination of trust funds to determine proper accountability in the shire's financial management system and compliance with regulatory requirements.
Receipts and receivables	Examination of end of day banking procedures to determine if they were adequate in ensuring cash collection is being recorded and allocated properly to the general ledger. The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting.
Rates	The shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger. We randomly selected and tested rate notices which included: • sighting the notices; • re-performing the calculations; • ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rate levies imposed are as per adopted budget; • ensuring the rate system is properly updated; and • checking proper posting to the general ledger.
Purchases, payments and payables (including purchase orders)	Random selection of payment transactions to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.
Payroll	A sample of employees were randomly selected from pay runs during the reporting period and detailed testing of each employee's pay was performed to help ensure: • the employee existed; • the correct rate of pay was used; • non-statutory deduction authorities are on hand; • time sheets were properly completed and authorised; • hours worked were properly authorised; and • allocations were reasonable and correctly posted. The shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled.

6.0Appendix A - Financial Management Systems Review (continued)

System	Description of Assessment
Transaction card procedures	A review of the shire's transaction card procedures was performed to determine if adequate controls were in place. We randomly selected and tested credit card transactions to determine whether they are legitimate and usual in the context of the shire's operations. This included: • sighting tax invoices; • ascertaining whether the transaction is for bona fide shire business; and • determining whether transactions are in line with the shire's policy.
Fixed assets (including depreciation, acquisition, and disposal of property)	The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined. A sample of asset additions and disposals were judgmentally selected, and testing performed to ensure: • the tax invoices existed; • correct posting to the general ledger; • fixed assets register was promptly updated; and • classification of assets was correct. In addition, a sample of assets were judgmentally selected and testing performed to ensure the depreciation rates used are in line with the shire's policy.
Cost and administration allocation	The shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed.
Financial reports controls	The format of the annual report, annual financial report and monthly financial reports were reviewed for compliance with legislative requirements.
Budget and budget review	The 2024-25 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements. The 2024-25 budget review was examined for statutory compliance.
Borrowings	Reconciliation of borrowings to the WATC loan schedules were examined.
Inventory	Inventory reconciliations and stock take procedures were examined.

Appendix B - Council Policies Examined

The Council Policies examined as part of the review were as follows:

Policy Topic
1. Governance
1.1 Frequency of Council Meetings
1.2 Policy Change and Review
1.3 Councillors Information Bulletin – Contents
1.4 Reimbursement of Councillors' Expenses
1.5 Council Representatives on External Committees and Bodies
1.6 Conference and Training Attendance
1.7 President's and Councillors' Reports
1.8 Instrument of Delegation
1.9 Honorary Freeman of the Shire of Shark Bay
1.10 Legal Proceedings and Prosecutions
1.11 Legal Representation Costs Indemnification
1.12 Shire Logo and Colours
1.13 Organisational Matters
1.14 Designated senior staff
1.15 Gratuity Payments to Employees
1.16 Additional superannuation contribution by employer
1.17 Use of Council Corporate Flight Account by Shire Staff
1.18 Internal Control Policy
1.19 Compliance Management Policy
1.20 Asset Management Policy
1.21 Gifts – Attendance at Events and Functions
1.22 Appointment of Acting Chief Executive Officer
1.23 Acknowledgment of Country Policy
1.24 Complaints Management
2. General Purpose Funding
2.1 Budget Consideration Processes
2.2 Financial Assistance/Donations
2.3 Plant Replacement Reserve
2.4 Investment of Surplus Funds
2.5 Debt Collection
2.6 Self-Supporting Loans
2.7 Purchasing Policy – Amounts Under $250,000
2.8 Local Price Purchasing Preference
2.9 Credit Cards
2.10 Shark Bay World Heritage Discovery and Visitor Centre – Merchandise Policy

6.0Appendix B - Council Policies Examined (continued)

3. Law, Order and Public Safety
3.1 Election Signs
4. Health
5. Education and Welfare
6. Housing
6.1 Allocation Criteria for Herald Denham Centre Units
7. Waste and Community Amenities
8. Recreation and Culture
8.1 Standard Conditions for Hire of Halls and Equipment
8.2 Standpipe and Bore
8.3 Use of Community Bus
8.4 Shark Bay World Heritage Discovery and Visitor Centre – Art Exhibits in Rose de Freycinet Art Gallery
9. Transport
9.1 Crossovers
9.2 Standards of Road Construction
9.3 Access Roads and Airstrips - Pastoral Ward
9.4 Street Names
9.5 Road Train Approvals
10. Building and Economic Services
10.1 Building Sites – Dust Suppression and Sand Drift Control, Litter Control
10.2 Protection of kerbs, roads and footpaths during construction work
11. Other Property and Services
11.1 Light Vehicles
11.2 Private Works
12. Risk Management
12.1 Risk Management Policy
13. Occupation, Health and Safety
13.1 Occupational, Health and Safety Policy

Appendix C - Plans Examined

The Plans examined as part of the review were as follows:

Plan	Status
Strategic Community Plan	2020-2030
Corporate Business Plan	2021-2025
Strategic Resource Plan	2021-2036
Code of Conduct for Councillors and Candidates	Adopted 24 February 2021
Code of Conduct for Employees	28 July 2021
Shire Waste Facility Emergency Response Plan	October 2019
Shire Office Emergency Response Plan	October 2019
Shire Discovery Centre Emergency Response Plan	October 2019
Shire Depot Emergency Response Plan	October 2019
Crisis Management & Business Continuity Response Plan	April 2023
Local Recovery Plan (LEMA)	June 2023
Record Keeping Plan	April 2023
Annual Report	2023-2024

Appendix D - Strategic and Operational Registers Examined

The registers examined as part of the review were as follows:

Registers
Tender Register
Delegations Register
Financial Interest Register
Cemetery Register
Key / Access Register
ICT Hardware and Software Register
Swimming Pool Inspection Register
Gifts and Contributions to Travel Register
Eating Houses Register
Development Applications Register
Official Complaints Register

Appendix E - Operational Guidelines

Risk Management

The internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

Reviewing whether the local government has an effective risk management system and material operating risks to the local government are appropriately considered;

Reviewing whether the local government has a current and effective Business Continuity Plan (including disaster recovery) which is tested from time to time;

Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:

- *potential non-compliance with legislation, regulations and standards and local government's policies*
- *important accounting judgements or estimates prove to be wrong*
- *litigation and claims*
- *misconduct, fraud and theft*
- *significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government*

Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure identified risks are monitored and new risks are identified, mitigated and reported;

Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;

Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;

Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;

Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;

Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and

Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Legislative Compliance

'The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

a) *Monitoring compliance with legislation and regulations*

b) *Reviewing the annual Compliance Audit Return and reporting to Council the results of that review*

6.0Appendix E - Operational Guidelines (continued)

Legislative Compliance (continued)

c) *Staying informed about how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary*

d) *Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints*

e) *Obtaining assurance that adverse trends are identified and review management's Plans to deal with these*

f) *Reviewing management disclosures in financial reports of the effect of significant compliance issues*

g) *Reviewing whether the internal and / or external auditors have regard to compliance and ethics risks in the development of their Audit Plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee*

h) *Considering the internal auditor's role in assessing compliance and ethics risks in their Plan;*

i) *Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements*

j) *Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest*

Internal Controls

'Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

a) *integrity and ethics;*

b) *policies and delegated authority;*

c) *levels of responsibilities and authorities;*

d) *audit practices;*

e) *information system access and security;*

f) *management operating style; and*

g) *human resource management and practices.*

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

6.0Appendix E - Operational Guidelines (continued)

Internal Controls (continued)

Aspects of an effective control framework will include:

a) *delegation of authority;*
b) *documented policies and procedures;*
c) *trained and qualified employees;*
d) *system controls;*
e) *effective Policy and process review;*
f) *regular internal audits*
g) *documentation of risk identification and assessment; and*
h) *regular liaison with auditor and legal advisors.*

The following are examples of controls that are typically reviewed:

a) *separation of roles and functions, processing and authorisation;*
b) *control of approval of documents, letters and financial records;*
c) *comparison of internal data with other or external sources of information;*
d) *limit of direct physical access to assets and records;*
e) *control of computer applications and information system standards;*
f) *limit access to make changes in data files and systems;*
g) *regular maintenance and review of financial control accounts and trial balances;*
h) *comparison and analysis of financial results with budgeted amounts;*
i) *the arithmetical accuracy and content of records;*
j) *report, review and approval of financial payments and reconciliations; and*
k) *comparison of the result of physical cash and inventory counts with accounting records.*

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AC5.3 REVIEW OF COUNCIL POLICY 12.1 RISK MANAGEMENT POLICY
CM00013

Author
Chief Executive Officer

Disclosure of Any Interest
Nil

Moved Cr
Seconded Cr

Officer Recommendation

The Audit, Risk and Improvement Committee:

1. **Adopts the revised Council Policy 12.1 Risk Management Policy as presented at Attachment 1, in substitution for the existing Council Policy 12.1 Risk Management Policy.**

2. **Endorses the risk appetite statements contained in the policy.**

3. **Requests the Chief Executive Officer to prepare a supporting Risk Management Framework, incorporating the Risk Assessment and Acceptance Criteria, the risk matrix and the risk register, and to present it to the Audit, Risk and Improvement Committee.**

4. **Requests the Chief Executive Officer to review Council Policy 1.18 Internal Control Policy and Council Policy 1.19 Compliance Management Policy for consistency with the *Local Government Act 1995* section 7.1A and regulations 16 and 17 of the *Local Government (Audit) Regulations 1996*, and to present the revised policies to a future meeting of the Committee.**

5. **Notes that the results of each review carried out under regulation 17 of the Local Government (Audit) Regulations 1996 are to be reported to the Audit, Risk and Improvement Committee, and that risk management is to be the subject of such a review not less than once in every four financial years.**

Purpose of Report
To present a revised Council Policy 12.1 Risk Management Policy to the Audit, Risk and Improvement Committee for consideration and for recommendation to Council for adoption.

Background
Council Policy 12.1 Risk Management Policy was adopted by Council on 29 April 2015 and updated on 22 February 2017. The amendment record in the Council Policy Manual also lists an amendment on 16 August 2023 (Item 12.1). The version of the

policy currently published in the Council Policy Manual records an adoption date of 29 April 2015 and an update date of 22 February 2017 only.

Two (2) matters have prompted this review.

First, the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls undertaken to assist the Chief Executive Officer to discharge the review required by Local Government (Audit) Regulations 1996 regulation 17 of the Local Government (Audit) Regulations 1996 (Moore Australia (WA), report dated September 2025) identified improvements to the Shire's risk management framework. These included developing and adopting a risk management policy aligned to the current Risk Management Standard, developing and implementing a risk management framework or strategy, and formalising risk management procedures.

Second, and more significantly, the legislative framework governing risk management in Western Australian local government changed on 1 January 2026. Audit committees transitioned to Audit, Risk and Improvement Committees, and regulations 16 and 17 of the Local Government (Audit) Regulations 1996 were replaced. The current policy predates those changes and does not reflect them.

Comment

The draft policy at Attachment 1 retains the structure and format used throughout the Council Policy Manual, being a Purpose, a Policy Statement, Objectives, Definitions, the operative detail, an applicable legislation table and the adoption record. It has been prepared to be workable for a regional local government with limited staff capacity.

The principal changes from the current policy are as follows.

References to the Audit Committee have been replaced with the Audit, Risk and Improvement Committee, and the Committee's risk management functions are stated by reference to regulation 16 of the Local Government (Audit) Regulations 1996.

The Chief Executive Officer's review obligation is stated by reference to regulation 17, including the requirement that risk management be the subject of a review not less than once in every four financial years and that the results of each review be reported to the Audit, Risk and Improvement Committee.

The policy is expressly aligned to the principles and process of AS/NZS ISO 31000:2018, including the eight process steps in clause 6 of the Standard, and adopts the Standard's definitions.

A scope clause, a control and risk register definition, and a Related Documents section have been added, and an explicit proportionality clause has been included.

Risk appetite statements have been brought into the policy itself, expressed at a high level, while the detailed Risk Assessment and Acceptance Criteria remain in the supporting framework. The appetite statements are proposed positions and are a matter for Council to endorse.

Proportionality for a small local government

A risk management policy is only effective if it can be sustained by the resources available. The draft therefore commits the Shire to a single consolidated risk register rather than multiple registers, concentrates detailed analysis and formal treatment planning on risks rated high or extreme, uses existing management and Council meeting processes rather than creating additional forums, relies on standard templates for project, event and procurement risk, and requires a risk comment in reports to Council. Reporting obligations are set at an annual register review and an annual report to the Committee, which is deliverable alongside the statutory review cycle.

Matters for the Committee's attention

Three related matters are drawn to the Committee's attention.

1. The Local Government (Audit) Regulations 1996 regulation 17 report records that the current policy is based on the superseded standard AS/NZS ISO 31000:2009. The version of Policy 12.1 published in the Council Policy Manual states that it is aligned with AS/NZS ISO 31000:2018. The Version history is inconsistent with this standard as it is dated 22 February 2017.

2. Council Policy 1.18 Internal Control Policy and Council Policy 1.19 Compliance Management Policy both refer to the Audit Committee, and both state review cycles drawn from the former regulations, including a biennial review under Local Government (Audit) Regulations 1996 regulation 17 and a four yearly review under regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. Regulation 5(2)(c) has been deleted and the financial management review now forms part of the review required by regulation 17. Those policies require consequential amendment.

3. The policy refers to a supporting Risk Management Framework which contains the Risk Assessment and Acceptance Criteria, the risk matrix and the risk register. The policy cannot operate as intended until that framework is in place, and a target date for its completion should be set.

Statutory Environment

Local Government (Audit) Regulations 1996 regulation 16 sets out the functions of the audit, risk and improvement committee. These include receiving and reviewing reports on, and recommending to the council actions to be taken in relation to, audits under Part 7 of the Act, compliance audits and reviews under regulation 17; otherwise receiving and reviewing reports on the appropriateness and effectiveness of, and recommending to the council improvements to, the local government's systems and procedures in relation to financial management, legislative compliance and risk management; and receiving and reviewing reports on, and recommending improvements to, the implementation of actions the local government has decided to take in response to those reports and recommendations.

Local Government (Audit) Regulations 1996 regulation 17 requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems and procedures in relation to financial management, legislative compliance and risk management. The Chief Executive Officer may review any or all of those

matters at any time but must review each of them not less than once in every four financial years, and must report to the audit, risk and improvement committee the results of each review.

Local Government (Audit) Regulations 1996 Regulations 16 and 17 in their current form were inserted by the Local Government Regulations Amendment Regulations (No. 4) 2025 (SL 2025/211) and took effect on 1 January 2026. Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996, which formerly required a separate review of financial management systems and procedures, was deleted by the same instrument.

Local Government Act 1995 section 2.7(2)(b) provides that it is the role of the council to determine the local government's policies.

Policy Implications

Adoption of the draft policy will replace the existing Council Policy 12.1 Risk Management Policy. Consequential amendment of Council Policy 1.18 Internal Control Policy and Council Policy 1.19 Compliance Management Policy will be required, as those policies refer to the former Audit Committee and to review cycles that no longer reflect the regulations.

Financial Implications

There are no direct financial implications arising from the adoption of the policy. The supporting Risk Management Framework and the ongoing maintenance of the risk register will be undertaken within existing staff resources. Should Council determine that external assistance is required to develop the framework, a budget allocation would be necessary and would be the subject of a separate report.

Strategic Implications

Effective risk management supports the delivery of the objectives in the Shire's Plan for the Future and Shire’s strategic focus area of a transparent, resilient organisation demonstrating leadership and good governance.

Risk Assessment

Retaining a policy that does not reflect the current legislative framework carries a compliance and governance risk and was identified as an area for improvement in the draft Local Government (Audit) Regulations 1996 regulation 17 review. Adopting the revised policy reduces that risk. A residual risk remains until the supporting Risk Management Framework is completed, as the policy relies on that document for the risk criteria, the risk matrix and the risk register. That residual risk is proposed to be managed by setting a target completion date for the framework and reporting progress to the Committee.

Attachments

Attachment # 1 Revised Council Policy 12.1 Risk Management Policy.

Voting Requirements
Simple Majority Required

Signatures

Chief Executive Officer *D Chapman*

Date of Report 8 September 2026

12 Risk Management

12.1 Risk Management Policy

Purpose
This policy documents the Shire of Shark Bay's (the Shire) commitment to, and objectives for, the management of risk. It records Council's expectations for the identification, analysis, evaluation, treatment, monitoring and reporting of risk that may affect the achievement of the Shire's strategic and operational objectives.

Policy Statement
It is the Shire's policy to manage risk in accordance with AS/NZS ISO 31000:2018 Risk management - Guidelines, applied in a manner proportionate to the size, resources, capacity and operating context of a small regional local government.

Council is committed to a risk management framework that is:

- integrated into decision making, the Shire's Integrated Planning and Reporting Framework and day-to-day operations;
- structured, comprehensive and customised to the Shire's internal and external context;
- inclusive of council members, employees, volunteers and contractors;
- dynamic, and responsive to changes in the Shire's operating environment;
- based on the best available information and mindful of human and cultural factors; and
- subject to continual improvement.

Risk management forms part of strategic, operational, project and line management responsibilities. Every council member, employee, volunteer and contractor has a role in risk management, from the identification of risk through to the implementation of risk treatments, and is encouraged to participate in the process.

Objectives
- Optimise the achievement of the Shire's vision, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable informed decision making by Council and the Executive.
- Manage risk within the risk appetite and tolerances endorsed by Council.
- Embed appropriate and effective internal controls to treat risk.
- Achieve effective corporate governance and adherence to statutory, regulatory and compliance obligations.
- Enhance organisational resilience and provide for the continuity of critical operations.
- Apply risk management in a practical and proportionate manner that recognises the Shire's limited staff capacity and avoids process that cannot be sustained.

Scope

This policy applies to all council members, employees, volunteers, contractors and consultants of the Shire, and to all Shire functions, services, projects, decisions, events and facilities.

Definitions

The following definitions are taken from AS/NZS ISO 31000:2018 Risk management - Guidelines.

Risk: effect of uncertainty on objectives.

Note 1: An effect is a deviation from the expected - positive or negative.

Note 2: Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

Risk management: coordinated activities to direct and control an organisation with regard to risk.

Risk management process: systematic application of management policies, procedures and practices to the activities of communicating and consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Risk appetite: the amount and type of risk the Shire is willing to pursue, retain or take in pursuit of its objectives.

Risk tolerance: the Shire's readiness to bear a risk after risk treatment in order to achieve its objectives.

Control: measure that maintains and/or modifies risk.

Risk register: a record of information about identified risks, including their assessment, existing controls, agreed treatments, risk owners and target timeframes.

Risk Appetite and Tolerance

Council's risk appetite is expressed through the Risk Assessment and Acceptance Criteria documented in the Shire's Risk Management Framework. The criteria are to be applied consistently to all risks reported at a corporate level, and are subject to ongoing review in conjunction with this policy.

In broad terms, Council has:

- no appetite for risks that may result in the serious injury or death of any person;
- no appetite for deliberate breaches of legislation, or for fraud, corruption or misconduct;
- a low appetite for risks to the Shire's financial sustainability, to the World Heritage environment in which it operates, and to its reputation; and
- a considered appetite for risk where it is necessary to improve services, pursue grant funding or deliver community outcomes, provided the risks are identified, assessed and treated.

Risks assessed above the accepted tolerance must be escalated to the Chief Executive Officer, recorded in the risk register with an assigned risk owner and treatment timeframe, and reported to the Audit, Risk and Improvement Committee.

Risk Management Process

The Shire will apply the risk management process set out in AS/NZS ISO 31000:2018, comprising communication and consultation; establishing the scope, context and criteria; risk identification; risk analysis; risk evaluation; risk treatment; monitoring and review; and recording and reporting.

Recognising the Shire's size and limited staff capacity, the process will be applied proportionately as follows:

- a single consolidated risk register will be maintained for strategic and operational risks, rather than multiple separate registers;
- detailed analysis and formal treatment plans will be concentrated on risks rated high or extreme;
- risk will be considered through existing management and Council meeting processes rather than through additional committees or forums;
- standard templates and checklists will be used for the assessment of project, event and procurement risk; and
- reports to Council will include a risk comment identifying any material risk associated with the officer recommendation.

Roles, Responsibilities and Accountabilities

Council is responsible for adopting this policy, endorsing the Shire's risk appetite and acceptance criteria, considering risk when making decisions, and receiving and acting on reports and recommendations from the Audit, Risk and Improvement Committee.

The Audit, Risk and Improvement Committee, established under section 7.1A of the *Local Government Act 1995*, performs the functions set out in regulation 16 of the *Local Government (Audit) Regulations 1996*. In relation to risk management, the Committee receives and reviews reports on the appropriateness and effectiveness of the Shire's risk management systems and procedures and recommends improvements to Council; receives and reviews reports on, and recommends to Council actions in relation to, reviews carried out under regulation 17; and receives and reviews reports on, and recommends improvements to, the implementation of actions the Shire has decided to take in response to those reports and recommendations.

The Chief Executive Officer is accountable for the establishment, resourcing, implementation and maintenance of the risk management framework; for the allocation of risk management roles, responsibilities and accountabilities; for establishing efficient systems and procedures in accordance with regulation 5 of *the Local Government (Financial Management) Regulations 1996*; for carrying out reviews of the appropriateness and effectiveness of the Shire's risk management systems and procedures under regulation 17 of the *Local Government (Audit) Regulations 1996*; and for reporting the results of each review to the Audit, Risk and Improvement Committee.

Senior employees are responsible, as risk owners, for identifying and assessing risk within their areas of responsibility, maintaining their entries in the risk register, implementing agreed treatments within the approved timeframes, and reporting new and emerging risks to the Chief Executive Officer.

All employees, volunteers and contractors are responsible for identifying and reporting risks, hazards and incidents, applying the controls that relate to their work, and participating in risk management activities.

Monitoring, Reporting and Review

The Shire will implement and integrate a monitoring and review process to report on the achievement of the risk management objectives, the management of individual risks, and the ongoing identification of issues and trends.

The risk register will be reviewed by the Chief Executive Officer and senior employees at least annually.

A report on the Shire's risk profile, including risks rated high or extreme and progress against agreed treatments, will be provided to the Audit, Risk and Improvement Committee at least annually.

The Chief Executive Officer will review the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management not less than once in every four financial years, as required by regulation 17 of the *Local Government (Audit) Regulations 1996*, and will report the results of each review to the Audit, Risk and Improvement Committee.

This policy will be reviewed by the Chief Executive Officer and senior employees, and formally reviewed by Council, at least every two years or earlier if there is a material change in legislation, the Australian Standard, or the Shire's operating context.

Related Documents

Shire of Shark Bay Risk Management Framework; Council Policy 1.18 Internal Control Policy; Council Policy 1.19 Compliance Management Policy; Council Policy 13.1 Occupational, Health and Safety Policy; Code of Conduct for Council Members, Committee Members and Candidates; Code of Conduct for Employees.

Applicable legislation

Act	Local Government Act 1995 section 7.1A - Establishment of audit, risk and improvement committee
Regulation	Local Government (Audit) Regulations 1996 regulation 16 - Functions of audit, risk and improvement committee; regulation 17 - CEO to review certain systems and procedures. Local Government (Financial Management) Regulations 1996 regulation 5 - CEO's duties as to financial management.
Local Law	Nil
Other	AS/NZS ISO 31000:2018 Risk management - Guidelines. Council Policy 1.18 Internal Control Policy. Council Policy 1.19 Compliance Management Policy.

Adopted by Council on: 29 April 2015

Updated: 22 February 2017; 16 August 2023

Reviewed and amended: [Insert date of Council resolution]

Next review due: [Insert - not later than two years from the date of adoption]

AC5.4 ENDORSEMENT OF THE SHIRE OF SHARK BAY RISK MANAGEMENT FRAMEWORK
CM00013

Author
Chief Executive Officer

Disclosure of Any Interest
Nil

Moved Cr
Seconded Cr

Officer Recommendation

The Audit, Risk and Improvement Committee:

1. **Endorses the Shire of Shark Bay Risk Management Framework as presented at Attachment 1.**

2. **Recommends that Council endorse the Risk Assessment and Acceptance Criteria at section 5 of the Framework, being the likelihood criteria, the consequence criteria, the risk matrix, the acceptance criteria and required response, and the risk appetite and tolerance statements.**

3. **Notes that the Framework is an administrative document of the Chief Executive Officer, and that amendments to the Risk Assessment and Acceptance Criteria are to be endorsed by Council.**

4. **Notes that the ratings recorded in the Shire's risk register are to be confirmed against the endorsed Risk Assessment and Acceptance Criteria, and that any material change in the risk profile is to be reported to the Committee.**

Purpose of Report
To present the Shire of Shark Bay Risk Management Framework to the Audit, Risk and Improvement Committee for endorsement, and to seek the Committee's recommendation that Council endorse the Risk Assessment and Acceptance Criteria contained within it.

Background
Council Policy 12.1 Risk Management Policy refers to a supporting Risk Management Framework which contains the Risk Assessment and Acceptance Criteria, the risk matrix and the risk register arrangements. The policy cannot operate as intended until that Framework is in place.

The Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls (Moore Australia (WA), report dated September 2025) identified the development and implementation of a risk management framework or strategy aligned to the current Risk Management Standard, and the formalisation of risk management

procedures, as improvements required. The Framework at Attachment 1 has been prepared in response to that finding and to give effect to the policy.

When the revised Council Policy 12.1 was considered, the preparation of the supporting Framework was identified as a matter requiring a target completion date. The Framework is now presented for endorsement.

Comment

The Framework is prepared in accordance with AS/NZS ISO 31000:2018 Risk management - Guidelines and is applied in a manner proportionate to the size, resources, capacity and operating context of a small regional local government, as required by the policy. Where the Framework is inconsistent with the policy, the policy prevails.

The Framework sets out the purpose and status of the document; its scope; the legislative context; the six risk categories and three risk contexts used to classify risks; the Risk Assessment and Acceptance Criteria; the risk management process; the risk register arrangements; roles, responsibilities and reporting; the review cycle; related documents; and document control.

The Risk Assessment and Acceptance Criteria

The Risk Assessment and Acceptance Criteria at section 5 of the Framework comprise the likelihood criteria (Table 1), the consequence criteria (Table 2), the risk matrix (Table 3), the acceptance criteria and required response (Table 4), and the risk appetite and tolerance statements at section 5.5.

Likelihood is assessed on a five point scale, from Almost Certain, being expected to occur in most circumstances or more than once per year, to Rare, being only in exceptional circumstances or less than once in 20 years. Consequence is assessed on a five point scale, from Catastrophic to Insignificant, with descriptors expressed across the Shire's six risk categories, including financial thresholds expressed as a percentage of asset value or budget. Where a risk has effects in more than one category, the highest applicable consequence is used.

The risk matrix resolves the assessed likelihood and consequence into a rating of Very low, Low, Medium, High or Extreme. The acceptance criteria then determine the response required for each rating, the level at which the risk is accepted, and the body to which it is reported. A risk rated Extreme requires immediate corrective action and is accepted by Council. A risk rated High requires prioritised action and additional controls, is accepted by the Chief Executive Officer, and is reported to the Committee at least annually. Risks rated Medium, Low and Very low are managed through documented procedures and routine supervision and are accepted by the relevant senior employee as risk owner.

The appetite statements record that the Shire maintains an inherent low appetite for risk as a public body; has no appetite for risks that may result in the serious injury or death of any person, and no appetite for deliberate breaches of legislation, or for fraud, corruption or misconduct, with a zero tolerance for breaches of regulatory obligations; has a low appetite for risks to its financial sustainability, to the World Heritage

environment in which it operates, and to its reputation; and has a considered appetite for risk where it is necessary to improve services, pursue grant funding or deliver community outcomes, provided the risks are identified, assessed and treated.

Proportionality for a regional local government

The Framework applies the risk management process set out in clause 6 of the Standard, being communication and consultation; establishing the scope, context and criteria; risk identification; risk analysis; risk evaluation; risk treatment; monitoring and review; and recording and reporting. Consistent with the policy, it commits the Shire to a single consolidated risk register rather than multiple registers, concentrates detailed analysis and formal treatment plans on risks rated high or extreme, uses existing management and Council meeting processes rather than additional forums, relies on standard templates for project, event and procurement risk, and requires a risk comment in reports to Council.

Reporting is set at an annual review of the register by the Chief Executive Officer and senior employees, an annual report on the risk profile to the Committee, and the statutory review under regulation 17 not less than once in every four financial years. That cadence is deliverable within existing staff resources.

Matters for the Committee's attention

Two (2) matters are drawn to the Committee's attention.

1. Council Policy 12.1 does not specify the level at which risks of each rating are accepted. Table 4 of the Framework proposes that a risk rated Extreme is accepted by Council, a risk rated High by the Chief Executive Officer, and risks rated Medium, Low and Very low by the relevant senior employee as risk owner. This fills a gap in the policy and is a governance position for the Committee and Council to confirm.

2. The ratings presently recorded in the Shire's risk register were assessed against the draft criteria. Once the criteria are endorsed by Council, those ratings are to be confirmed by the risk owners and the Executive Leadership Team, and any material change in the risk profile reported to the Committee.

Statutory Environment

Local Government Act 1995 section 7.1A requires a local government to establish a committee of its council under section 5.8 to be called the audit, risk and improvement committee. An employee of the local government is not to be a member, and the presiding member and any deputy presiding member cannot be a council member of the local government or of any other local government.

Local Government (Audit) Regulations 1996 regulation 16 sets out the functions of the audit, risk and improvement committee. Relevantly, regulation 16(b) provides that the Committee is to receive and review reports on the appropriateness and effectiveness of, and recommend to the council improvements to, the local government's systems and procedures in relation to financial management, legislative compliance and risk management.

Local Government (Audit) Regulations 1996 regulation 17 requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems and procedures in relation to financial management, legislative compliance and risk management, to review each of those matters not less than once in every four financial years, and to report to the audit, risk and improvement committee the results of each review.

Local Government (Audit) Regulations 1996 Regulations 16 and 17 in their current form were inserted by the Local Government Regulations Amendment Regulations (No. 4) 2025 (SL 2025/211) and took effect on 1 January 2026.

Local Government (Financial Management) Regulations 1996 regulation 5 requires the Chief Executive Officer to establish efficient systems and procedures for the matters listed in that regulation, and to ensure that the resources of the local government are effectively and efficiently managed.

Policy Implications

The Framework is the supporting document referred to in Council Policy 12.1 Risk Management Policy and gives effect to it. Council Policy 1.18 Internal Control Policy and Council Policy 1.19 Compliance Management Policy remain to be amended for consistency with the current regulations.

Financial Implications

There are no direct financial implications arising from the endorsement of the Framework. Its implementation and the ongoing maintenance of the risk register will be undertaken within existing staff resources.

Strategic Implications

Effective risk management supports the delivery of the objectives in the Shire's Plan for the Future and Shire’s strategic focus area of a transparent, resilient organisation demonstrating leadership and good governance.

Risk Assessment

Operating a risk management policy without the supporting criteria, matrix and register arrangements carries a governance risk, in that risks cannot be assessed consistently or escalated on a common basis. Endorsing the Framework reduces that risk.

A residual risk remains until the Risk Assessment and Acceptance Criteria are endorsed by Council and the ratings in the register are confirmed against them. That residual risk is managed by recommendation 2 and by the confirmation of ratings referred to in recommendation 4.

Attachments

Attachment # 1 Risk Management Framework

Voting Requirements
Simple Majority Required

Signatures

Chief Executive Officer	*D Chapman*
Date of Report	8 September 2026

ATTACHMENT # 1

Shire of Shark Bay

Risk Management Framework
Incorporating the Risk Assessment and Acceptance Criteria and the Risk Matrix

Draft 2026 — supporting Council Policy 12.1 Risk Management Policy

1. Purpose and status

This Framework supports Council Policy 12.1 Risk Management Policy. The Policy sets Council's commitment and objectives for the management of risk. This Framework sets out how that commitment is given effect, and contains the Risk Assessment and Acceptance Criteria, the risk matrix and the risk register arrangements to which the Policy refers.

The Framework is prepared in accordance with AS/NZS ISO 31000:2018 Risk management - Guidelines and is applied in a manner proportionate to the size, resources, capacity and operating context of a regional WA local government, as required by the Policy. Where this Framework is inconsistent with the Policy, the Policy prevails.

The Framework is an administrative document of the Chief Executive Officer. The Risk Assessment and Acceptance Criteria at section 5, which express Council's risk appetite, are endorsed by Council.

2. Scope

This Framework applies to all council members, employees, volunteers, contractors and consultants of the Shire, and to all Shire functions, services, projects, decisions, events and facilities.

3. Legislative context

Local Government Act 1995 section 7.1A requires a local government to establish a committee of its council under section 5.8 to be called the audit, risk and improvement committee. An employee of the local government is not to be a member, and the presiding member and any deputy presiding member cannot be a council member of the local government or of any other local government.

Local Government (Audit) Regulations 1996 regulation 16 sets out the functions of the audit, risk and improvement committee, which include receiving and reviewing reports on the appropriateness and effectiveness of, and recommending to the council improvements to, the local government's systems and procedures in relation to financial management, legislative compliance and risk management, and receiving and reviewing reports on, and recommending improvements to, the implementation of actions the local government has decided to take in response.

Local Government (Audit) Regulations 1996 regulation 17 requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems and procedures in relation to financial management, legislative compliance and risk management. Each of those matters must be reviewed not less than once in every four financial years, and the results of each review must be reported to the audit, risk and improvement committee. Regulations 16 and 17 in their current form were inserted by the

Local Government Regulations Amendment Regulations (No. 4) 2025 (SL 2025/211) and took effect on 1 January 2026.

Local Government (Financial Management) Regulations 1996 regulation 5 requires the Chief Executive Officer to establish efficient systems and procedures for the matters listed in that regulation, and to ensure that the resources of the local government are effectively and efficiently managed.

4. Risk criteria: categories and contexts

Risks are classified against the following six categories. The categories are used to group risks in the register and to identify concentrations of exposure.

Risk category	Description
Performance	Ability to achieve key objectives within available resources; potential loss of infrastructure.
Financial	Loss of assets; impact on revenues or costs; external audit issues; mismanagement of funds.
Environmental	Harm to the environment.
Reputation	Adverse publicity or loss of community confidence.
Service Delivery / Business Interruption	Loss of service or disruption to business processes and service delivery, including a lack of skilled resources.
Legislative / Regulatory / Policy / WHS	Misconduct, injury, or failure to meet statutory, regulatory or compliance requirements.

Each risk is also assigned a context, being Strategic where it affects the Council's ability to deliver its strategic objectives, Operating where it arises from operational activities, or Projects where it arises from a capital or infrastructure project.

5. Risk Assessment and Acceptance Criteria

The criteria in this section are the Risk Assessment and Acceptance Criteria referred to in Council Policy 12.1. They are to be applied consistently to all risks reported at a corporate level. For operational purposes such as projects, or to satisfy external stakeholder requirements, alternative criteria may be used, provided they do not exceed the appetite set out at section 5.5 and are noted within the individual risk assessment and approved by a member of the Executive Leadership Team.

5.1 Likelihood criteria (Table 1)

Likelihood is assessed on the following five point scale, having regard to the effectiveness of the controls presently in operation.

Likelihood	Score	Descriptor	Indicative frequency
Almost Certain	5	Expected to occur in most circumstances, or occurs regularly	More than once per year
Likely	4	Occurrence is noticeable, or is likely to occur	At least once per year
Possible	3	Occurs occasionally, or may occur	At least once in 5 years
Unlikely	2	Occurs infrequently, or is not likely to occur	At least once in 10 years
Rare	1	Only occurs in exceptional circumstances	Less than once in 20 years

5.2 Consequence criteria (Table 2)

Consequence is assessed on the following five point scale. Where a risk has effects in more than one category, the highest applicable consequence is used.

Consequence	Score	Descriptor across the risk categories
Catastrophic	5	Unable to achieve key objectives; loss or budget deviation greater than 15 per cent of asset value or budget, or audit unable to be completed; catastrophic long term environmental harm; sustained loss of public confidence; major or protracted loss of service; criminal non-compliance, or death.
Major	4	Major impact on objectives; 5 to 15 per cent of asset value or budget, or audit qualification; significant long term environmental harm; major and persistent adverse publicity; loss of an important service for a short period; serious injuries or significant breaches of the Code of Conduct.
Moderate	3	Moderate impact on objectives; 2 to 5 per cent of asset value or budget, or significant management letter issues; significant short term environmental harm; reputational damage with a specific audience; major effect on a service for a short period; serious injury or illness, or a breach of the Code of Conduct.

Minor	2	Minor impact on objectives; less than 2 per cent of asset value or budget, or minor management letter issues; minor transient environmental harm; minor reputational damage; brief disruption to a service; first aid treatment or a minor lost time injury.
Insignificant	1	Negligible impact on objectives; insignificant loss; negligible environmental harm; minor unsubstantiated publicity; negligible effect on a process; an incident with no injury or a minor injury.

5.3 Risk matrix (Table 3)

The risk rating is determined by reading the assessed likelihood against the assessed consequence in the following matrix. The rating so determined is the inherent risk rating, being the rating that applies with the controls presently in operation.

Likelihood \ Consequence	**Insignificant (1)**	**Minor (2)**	**Moderate (3)**	**Major (4)**	**Catastrophic (5)**
Almost Certain (5)	**Medium**	**High**	**High**	**Extreme**	**Extreme**
Likely (4)	**Medium**	**Medium**	**High**	**High**	**Extreme**
Possible (3)	**Low**	**Medium**	**Medium**	**High**	**High**
Unlikely (2)	**Low**	**Low**	**Medium**	**Medium**	**High**
Rare (1)	**Very low**	**Low**	**Low**	**Medium**	**Medium**

5.2 Acceptance criteria and required response (Table 4)

The rating determines the response required, the level at which the risk is accepted, and the body to which it is reported.

Rating	**Required response**	**Accepted by**	**Reported to**
Extreme	Immediate corrective action. A documented treatment plan is required, with an assigned risk owner and target completion date.	Council	Committee and Council, as soon as practicable
High	Prioritised action required. A documented treatment plan is required, with an assigned risk owner and target completion date. Additional controls are required.	Chief Executive Officer	Committee, at least annually

Medium	Planned action required. Managed through documented procedures and routine supervision; a treatment plan is not required unless the risk owner considers one necessary.	Relevant senior employee as risk owner	Chief Executive Officer
Low	Planned action required. Managed through documented procedures.	Relevant senior employee as risk owner	Chief Executive Officer
Very low	Manage by routine procedures. No further action required.	Relevant senior employee as risk owner	Recorded in the register only

5.4 Risk appetite and tolerance

Council Policy 12.1 states Council's appetite in broad terms. This Framework applies that appetite as follows.

As a public body the Shire maintains an inherent low appetite for risk, in order to protect its reputation and the public funds it holds.

The Shire has no appetite for risks that may result in the serious injury or death of any person, and no appetite for deliberate breaches of legislation, or for fraud, corruption or misconduct. A zero tolerance applies to breaches of regulatory obligations and legislative requirements.

The Shire has a low appetite for risks to its financial sustainability, to the World Heritage environment in which it operates, and to its reputation. Appetite for risk in service delivery, finance, health, safety and the environment is low to medium, and such risks require treatment with effective controls.

The Shire has a considered appetite for risk where it is necessary to improve services, pursue grant funding or deliver community outcomes, provided the risks are identified, assessed and treated.

Where a risk is rated high or extreme, additional controls are required. Where a risk cannot be reduced below high, the controls must be closely monitored. For risks in the medium to high range, the Shire will mitigate by taking out insurance where it is available and economic to do so.

Any risk rated high or extreme that cannot be treated immediately must be escalated to the Chief Executive Officer, recorded in the risk register with an assigned risk owner and treatment timeframe, and reported to the Audit, Risk and Improvement Committee. Where the risk cannot be treated within the adopted budget, it must be reported to the Committee and to Council.

6. Risk management process

The Shire applies the risk management process set out in clause 6 of AS/NZS ISO 31000:2018. The steps are applied as follows.

Communication and consultation. Risk is discussed at Executive Leadership Team meetings, with the relevant employees, and with Council through officer reports. Risk owners are consulted on the assessment and treatment of risks in their areas of responsibility.

Establishing the scope, context and criteria. The context is that of a small regional local government in a World Heritage area, with a small workforce and a rate base that limits the resources available. The criteria are those set out at section 5.

Risk identification. Risks are identified from the annual review of the register, officer knowledge of operations, incidents and near misses, complaints, internal and external audit findings, reviews carried out under regulation 17, the compliance audit return, insurance claims, and matters raised in officer reports to Council.

Risk analysis. Each risk is expressed as a cause, an event and a potential consequence. The controls presently in operation are recorded. Likelihood and consequence are then assessed against Tables 1 and 2, having regard to the effectiveness of those controls.

Risk evaluation. The rating is read from the matrix at Table 3 and compared against the acceptance criteria at Table 4 and the appetite at section 5.5, to determine whether the risk is acceptable and what response is required.

Risk treatment. Treatment options are to avoid the risk by not commencing or by discontinuing the activity; to remove the source of the risk; to change the likelihood or the consequence; to share the risk, including through insurance or contract; or to retain the risk by informed decision. The option selected, the risk owner and the target completion date are recorded.

Monitoring and review. The register is reviewed by the Chief Executive Officer and senior employees at least annually. Progress against treatments is monitored by the risk owner and reported to the Chief Executive Officer.

Recording and reporting. Risks are recorded in the register. Reporting occurs in accordance with section 8.

7. The risk register

A single consolidated risk register is maintained for strategic, operating and project risks, rather than separate registers. Each entry records the risk identifier, the risk category and context, the risk title, the risk description expressed as cause, event and potential consequence, the existing controls, the source and evidence, the assessed likelihood and consequence and their scores, the inherent risk rating, the required response, the recommended treatment, the risk owner by role, the body to which the risk is reported, and the target residual rating.

The register is maintained by the Chief Executive Officer. Because it records in specific terms where the Shire's controls are weak, the register is not published. It is available to members of the Audit, Risk and Improvement Committee and to council members on request, and a summary is presented to the Committee for the purposes of the reporting required by Council Policy 12.1.

Consistent with the proportionality provisions of Council Policy 12.1, detailed analysis and formal treatment plans are concentrated on risks rated high or extreme; risk is considered through existing management and Council meeting processes rather than through additional committees or forums; standard templates and checklists are used for the assessment of

project, event and procurement risk; and reports to Council include a risk comment identifying any material risk associated with the officer recommendation.

8. Roles, responsibilities and reporting

Roles and responsibilities are as set out in Council Policy 12.1. The allocation of risk management roles, responsibilities and accountabilities is the responsibility of the Chief Executive Officer. The following reporting applies.

Risk owners report new and emerging risks to the Chief Executive Officer as they arise, and report progress against agreed treatments.

The Chief Executive Officer and senior employees review the register at least annually. A report on the Shire's risk profile, including risks rated high or extreme and progress against agreed treatments, is provided to the Audit, Risk and Improvement Committee at least annually.

The Chief Executive Officer reviews the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management not less than once in every four financial years, as required by regulation 17 of the *Local Government (Audit) Regulations 1996*, and reports the results of each review to the Audit, Risk and Improvement Committee. The risk register forms part of the evidence base for that review.

The Committee performs the functions set out in regulation 16 of the *Local Government (Audit) Regulations 1996* in relation to those reports, and makes recommendations to Council.

9. Review of this Framework

This Framework is reviewed by the Chief Executive Officer and senior employees at least every two years, in conjunction with the review of Council Policy 12.1, or earlier if there is a material change in legislation, in AS/NZS ISO 31000, or in the Shire's operating context. Amendments to the Risk Assessment and Acceptance Criteria at section 5 are to be endorsed by Council.

10. Related documents

Council Policy 12.1 Risk Management Policy; Council Policy 1.18 Internal Control Policy; Council Policy 1.19 Compliance Management Policy; Council Policy 13.1 Occupational, Health and Safety Policy; Shire of Shark Bay Risk Register and Treatment Action Plan; Crisis Management and Business Continuity Response Plan; Code of Conduct for Council Members, Committee Members and Candidates; Code of Conduct for Employees.

11. Document Control

Version: 1 (Draft)

Endorsed by the Audit, Risk and Improvement Committee: 16 September 2026

Risk Assessment and Acceptance Criteria endorsed by Council: XX September 2026

Next review due: September 2028

AC5.5 RISK REGISTER SUMMARY
CM00013

Author
Chief Executive Officer

Disclosure of Any Interest
Nil

Moved Cr
Seconded Cr

Officer Recommendation

The Audit, Risk and Improvement Committee:

1. **Receives the Risk Register Summary as presented at Attachment 1.**

2. **Notes that the full Risk Register and Treatment Action Plan workbook is not attached to this agenda item, is retained by the Chief Executive Officer, and is available to members of the Audit, Risk and Improvement Committee and to council members on request.**

3. **Notes that the Treatment Action Plan presently records 16 treatment actions covering the five risks identified from the Council minutes and requests the Chief Executive Officer to extend the plan to the remaining risks rated high, each with an assigned risk owner and a target completion date.**

4. **Requests the Chief Executive Officer to confirm the likelihood and consequence ratings recorded in the register, and the proposed target dates recorded in the Treatment Action Plan, once the Risk Management Framework has been adopted, and to report any material change in the risk profile to the Committee.**

5. **Notes that a report on the Shire's risk profile, including risks rated high or extreme and progress against agreed treatments, is to be provided to the Audit, Risk and Improvement Committee at least annually in accordance with Council Policy 12.1 Risk Management Policy, and that the risk register forms part of the evidence base for the review of risk management systems and procedures required by regulation 17 of the *Local Government (Audit) Regulations 1996*.**

Purpose of Report
To present a summary of the Shire's risk register to the Audit, Risk and Improvement Committee, so that the Committee may review the Shire's risk profile and recommend to Council any action or improvement it considers appropriate, without the detailed register being published.

Background

The draft Council Policy 12.1 Risk Management Policy provides that a single consolidated risk register will be maintained for strategic and operational risks, that the register will be reviewed by the Chief Executive Officer and senior employees at least annually, and that a report on the Shire's risk profile, including risks rated high or extreme and progress against agreed treatments, will be provided to the Audit, Risk and Improvement Committee at least annually. This report is the first such report.

The Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls (Moore Australia (WA), report dated September 2025) recorded that the risk register available for inspection dated from 2019, covered mainly emergency management and had not been updated since, and identified the development and maintenance of a current risk register as an improvement required. A register has been prepared in response to that finding and to give effect to the draft policy.

Comment

Attachment 1 to this report is the Risk Register Summary. It presents the Shire's risk profile at a summary level, being the total number of risks and their distribution by rating and by theme, the Shire's appetite position, and the priority risks grouped by theme with their register references. It does not reproduce the risk descriptions, the existing controls, the evidence, the assessed likelihood and consequence, the treatments or the risk owners.

The full Risk Register and Treatment Action Plan workbook sits behind the summary. It comprises four worksheets, being the Risk Register, a Rating Guide setting out the likelihood, consequence and rating scales and the risk appetite, the Treatment Action Plan, and a Methodology and Sources sheet recording the evidence base. The workbook is not attached to this agenda item. It is retained by the Chief Executive Officer and is available to members of the Committee and to council members on request, so that the Committee can exercise its oversight function with access to the full detail.

Publication of the full register

The register in its full form describes, in specific terms, where Shire’s controls are presently weak. It identifies weaknesses in electronic payment and bank detail change controls, in cash handling and revenue collection at Shire facilities, in ICT security and user access including former employees retaining system access, in the security of record storage, and in the maintenance of statutory registers. Publishing that detail would tell any person minded to exploit those weaknesses precisely where they are and how they might be exploited.

Presenting the summary as the agenda attachment allows the Committee and Council to receive, consider and act on the Shire's risk profile in an open meeting, while the operational detail that would create that exposure is not placed on the public record. The summary discloses the number of risks, their ratings, their themes and the areas requiring attention, so the transparency of the Committee's oversight is preserved.

Should the Committee wish to discuss the full register, section 5.23(4)(e) of the Local Government Act 1995 permits a council or committee to close a meeting to members of the public to the extent necessary to deal, on a confidential basis, with information the making public of which would be likely to endanger the security, including cyber-security, of any of the local government's property or operations. Section 5.23(4)(f) permits closure in relation to information the making public of which would be likely to impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law.

The Committee should be aware of the limits on that discretion. Section 5.23(5) provides that, in deciding whether to close a meeting under section 5.23(4), it is irrelevant whether making the information public would cause embarrassment to the local government, the council, a committee or an employee, whether it would cause a loss of confidence in the local government or make it susceptible to adverse criticism, and whether the information relates to a matter that is controversial in the district. Confidentiality may be justified only by the security and law enforcement grounds in the Act, and not by the fact that the register is unflattering. Any decision to close a meeting must be made while the meeting is open to the public under section 5.23(7), and the matters listed in section 5.23(8), including an explanation of how the information falls within the provision relied on, must be recorded in the minutes.

Summary of the risk profile

The register records 44 risks. Of these, 20 are rated high and 24 are rated medium. No risk is presently rated extreme.

By risk theme, the register records 19 financial risks; 12 legislative, regulatory, policy and work health and safety risks; 8 service delivery and business interruption risks; 3 performance risks; and 2 environmental risks. No reputational risk is recorded at this stage. By risk context, 28 are operating risks, 13 are strategic risks and 3 are project risks.

All 20 risks rated high exceed the Shire's stated low risk appetite and warrant prioritised action. The compliance related risks fall within the Shire's zero tolerance position for breaches of legislation. Of the entries drawn from the September 2025 review, 14 were classified by the reviewer as requiring prioritised action, 18 as requiring planned action and 5 as mixed.

Priority risks

The summary groups the risks rated high under eight themes: risk governance and framework (SR-01, SR-02, SR-03); statutory compliance and registers (SR-04, SR-07, CO-01); financial control and fraud exposure (FN-01, FN-02, FN-03, FN-05, FN-06, FN-08); information and cyber (IT-01, IT-02); business continuity and records (OP-01, OP-02); work health and safety (HR-01, HR-02); water security and environment (EN-01); and organisational resilience (SR-05).

Water security (EN-01) is the only entry concerning the security of an essential service to the community, and the only risk rated high that was identified from the Council minutes rather than from the review. Officers reported to Council that use of the

Denham town bore had increased materially and that a failure to regulate extraction risks exceeding the licensed allocation.

Matters for the Committee's attention
Five matters are drawn to the Committee's attention.

1. The register states on its face that the ratings are draft and are for validation by the risk owners, the Executive Leadership Team and the Committee. They have been assessed against the scales in the draft Risk Management Framework, which has not yet been adopted by Council, and should be confirmed once the Risk Assessment and Acceptance Criteria are adopted.

2. The target dates recorded in the Treatment Action Plan are marked as proposed and require confirmation by the Chief Executive Officer and the Executive Leadership Team and endorsement by the Committee and Council. They should not be treated as commitments until confirmed.

3. The register records inherent risk ratings and target residual ratings. Until the treatments are implemented and tested, the residual ratings are targets rather than assessed positions, and are not a measure of the Shire's present exposure.

4. The Treatment Action Plan presently covers only the five risks identified from the Council minutes. Of the 20 risks rated high, 19 have a recommended treatment recorded in the register but no action, owner or target date. Extending the plan is the subject of recommendation 3.

5. The volume of risks rated high exceeds the capacity of the organisation to treat them concurrently. The Committee may wish to consider whether the treatments should be sequenced, and if so, which risks are to be addressed in the current financial year.

Statutory Environment
Local Government Act 1995 section 5.23(1) provides that all council meetings and all meetings of a committee are to be open to members of the public. Section 5.23(4)(e) and (f) permit a council or committee to close a meeting to the extent necessary to deal on a confidential basis with information the making public of which would be likely to endanger the security, including cyber-security, of the local government's property or operations, or to impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law. Section 5.23(5) sets out matters that are irrelevant to that decision, including embarrassment, loss of confidence and adverse criticism. Sections 5.23(7) and 5.23(8) govern how such a decision is made and recorded.

Local Government (Financial Management) Regulations 1996 regulation 5 requires the Chief Executive Officer to establish efficient systems and procedures in relation to the matters listed in that regulation, a number of which are the subject of risks recorded in the register.

Policy Implications
The register and the Treatment Action Plan give effect to the draft Council Policy 12.1 Risk Management Policy, which requires a single consolidated risk register to be maintained, reviewed at least annually, and reported to the Audit, Risk and Improvement Committee at least annually. Council Policy 1.18 Internal Control Policy is also relevant, as a number of the risks recorded are internal control matters.

Financial Implications
There are no direct financial implications arising from receiving the summary. The majority of the treatments are procedural and will be undertaken with existing staff resources. Certain treatments will require expenditure, in particular the metered smart standpipe controller and extraction monitoring recorded against water security and treatments relating to information and communications technology and the work health and safety audit. Any such expenditure would be identified through the annual budget process or a budget review and would be the subject of a separate report to Council.

Strategic Implications
Maintaining a current risk register supports the delivery of the objectives in the Shire's Plan for the Future and the Shire's strategic focus area of a transparent, resilient organisation demonstrating leadership and good governance.

Risk Assessment
Operating without a current risk register was itself identified as a risk in the September 2025 review and is recorded in the register as SR-01. It prevents Council and the Committee from exercising informed oversight of the Shire's risk profile. Receiving the summary reduces that risk.

Presenting the summary rather than the full register reduces the risk that publication of the detailed control weaknesses would, itself create an exposure. A countervailing risk is that the Committee makes decisions on a summary without access to the underlying detail. That risk is managed by retaining the full workbook with the Chief Executive Officer and making it available to Committee members and council members on request, and by the option of dealing with the detail on a confidential basis under section 5.23(4) of the Local Government Act 1995 should the Committee consider it necessary.

Attachments
Attachment # 1 Risk Register Summary.

Voting Requirements
Simple Majority Required

Signatures
Chief Executive Officer *D Chapman*

Date of Report 8 September 2026

ATTACHMENT # 1

Risk Register — Summary for the Audit, Risk & Improvement Committee

Shire of Shark Bay | Risk Register

Prepared for: Audit, Risk & Improvement Committee **Status:** Draft for validation **Date:** *16 September 2026*

Purpose. This summary presents the draft risk register established for the Shire, aligned to the draft Risk Management Policy & Strategy (ISO 31000:2018), and highlights the priority risks for the Committee's oversight. Risks and evidence are drawn from the Regulation 17 Review (Moore Australia (WA), September 2025), and analysis of the Shire's Ordinary Council Meeting minutes (February 2025 – June 2026).

Risk profile at a glance

44	20	24	0
Total risks	High	Medium	Extreme

By theme: Financial 19 · Legislative / Compliance / WHS 12 · Service Delivery / Business Interruption 8 · Performance 3 · Environmental 2 (Reputation nil at this stage).

Appetite. All 20 High-rated risks exceed the Shire's stated low risk appetite and warrant prioritised action (Strategy Table 5). Compliance-related risks fall under the Shire's zero-tolerance position for legislative breaches. Across the register, the Reg 17 review flagged 14 matters for prioritised action and a further 5 as mixed, and analysis of the Shire's 2025–26 Council minutes added five further risks — most falling among the High-rated risks below.

Priority (High-rated) risks — for Committee focus

Theme	Register ref. & description
Risk governance & framework	**SR-01, SR-02, SR-03 —** Framework not yet ISO 31000:2018-aligned, no current entity-wide risk register, mandated risk/compliance reporting to ARIC/Council not occurring, and risks not consistently placed before Council for decisions.
Statutory compliance & registers	**SR-04, SR-07, CO-01 —** Council-meeting compliance breaches (minutes publication, an undisclosed interest, incorrect statutory/voting references); outdated policy suite; statutory registers incomplete or misaligned (incl. delegations, financial interest).
Financial control & fraud exposure	**FN-01, FN-02, FN-03, FN-05, FN-06, FN-08 —** Inadequate segregation of duties; electronic-payment / bank-detail-change fraud exposure; untimely or unreviewed reconciliations; weak facility cash & revenue controls; procurement probity gaps; payroll control weaknesses.
Information & cyber	**IT-01, IT-02 —** Single IT-provider dependency with no ICT Strategic Plan; weak ICT security, user-access and change controls, with ex-staff retaining system access.
Business continuity & records	**OP-01, OP-02 —** Business Continuity / Crisis Management Plan untested and outdated; record-keeping storage, security and training gaps.
Work health & safety	**HR-01, HR-02 —** No recent WHS audit; contractor insurances, licences and inductions not verified before engagement.
Water security & environment	**EN-01 —** Denham town bore approaching its licensed allocation (usage up ~142% since 2018) with largely unmetered, unregulated extraction; underpins town water supply and emergency fire access.
Organisational resilience	**SR-05 —** Heavy reliance on a small team of senior staff (key-person risk) underpinning compliance, financial management and service continuity.

Recommended actions for the Committee

1. Note the draft risk register (44 risks) and its alignment to the draft ISO 31000:2018 Risk Management Policy & Strategy.
2. Recommend Council adopt the Risk Management Policy and endorse the Risk Management Framework at the September 2026 meeting.
3. Endorse the register as the Shire's risk baseline and ask risk owners and the Executive Leadership Team to validate the draft ratings, assign target dates and set residual ratings.
4. Prioritise treatment of the 20 High-rated risks — in particular the fraud-exposed financial controls, ICT security, statutory registers, WHS assurance and Denham bore water security.
5. Request routine (annual) risk reporting to ARIC.

Notes: Inherent ratings are DRAFT, assessed against the Strategy's Likelihood × Consequence matrix (Table 3), pending validation by risk owners, ELT and ARIC; residual ratings to follow. The register now incorporates analysis of the Shire's Ordinary Council Meeting minutes (Feb 2025 – Jun 2026), adding water security, coastal hazard, financial-sustainability, capital-housing borrowing and planning-appeal risks. The full register — with risk descriptions, existing controls, evidence, treatments and owners — is maintained by the CEO as the Risk Register workbook.

AC6.0 NEXT AUDIT COMMITTEE MEETING

The next meeting of the Audit, Risk and Improvement Committee will be advised.

AC7.0 CLOSURE OF MEETING

The Chairperson will close the Audit, Risk and Improvement Committee meeting at the end of business.