SHIRE OF WYNDHAM EAST KIMBERLEY

Audit, Finance and Risk Committee Agenda

Monday 24 August 2026

Page left intentionally blank.

CONTENTS

SHIRE OF WYNDHAM EAST KIMBERLEY
AUDIT, RISK AND IMPROVEMENT COMMITTEE
AGENDA
KUNUNURRA COUNCIL CHAMBERS
TO BE HELD ON MONDAY 24 AUGUST 2026 AT 5:00 PM

1. DECLARATION OF OPENING

2. RECORD OF ATTENDANCE / APOLOGIES

3. DECLARATION OF INTEREST

4. CONFIRMATION OF MINUTES

5. REPORTS

5.1. AUDIT - AUDIT REGULATION 17 AND FINANCIAL MANAGEMENT REGULATION 5(2)(C) REPORT

AUTHOR:	Manager Finance
RESPONSIBLE OFFICER:	Vernon Lawrence, Chief Executive Officer
FILE NO:	CM.01.1
DISCLOSURE OF INTERESTS:	Nil
COUNCIL'S ROLE IN THE MATTER:	Regulator - enforce state legislation and local laws
VOTING REQUIREMENT:	Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to Council:

That Council notes the management progress updates as per confidential attachments 1 & 2 on actions arising from the 2025 statutory compliance reviews undertaken in accordance with Regulation 17 of the *Local Government (Audit) Regulation 1996* and Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

PURPOSE

The purpose of this report is to update the Audit Risk and Improvement Committee on the Shire's progress in addressing findings from the 2025 statutory compliance reviews conducted in accordance with:

- Regulation 17 of the *Local Government (Audit) Regulations 1996*, which requires a review of the appropriateness and effectiveness of financial management, legislative compliance and risk management systems and procedures.

- Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, which requires a review of the appropriateness and effectiveness of financial management systems and procedures.

This progress report outlines the status of implementation activities, timelines, and key developments. It supports the Audit Risk and Improvement Committee's oversight function and demonstrates improvements made to ensure the Shire meets its legislative obligations.

BACKGROUND / PREVIOUS CONSIDERATIONS BY COUNCIL OR COMMITTEE

The Shire engaged Stantons International to undertake statutory compliance reviews under:

- Regulation 17 of the *Local Government (Audit) Regulations 1996*.
- Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

The findings and recommendations arising from these reviews were presented at the Audit (Finance and Risk) Committee (now known as at Audit, Risk and Improvement Committee) meeting held on 4 March 2025. Following consideration by the Audit Risk and Improvement Committee (ARIC), Council adopted the Committee's recommendations at the Ordinary Council Meeting held 25 March 2025 (Resolution 0303/2025).

Progress reports on the implementation of the audit recommendations have been presented to the ARIC at each subsequent meeting to ensure ongoing oversight and monitoring of progress.

COMMENTS

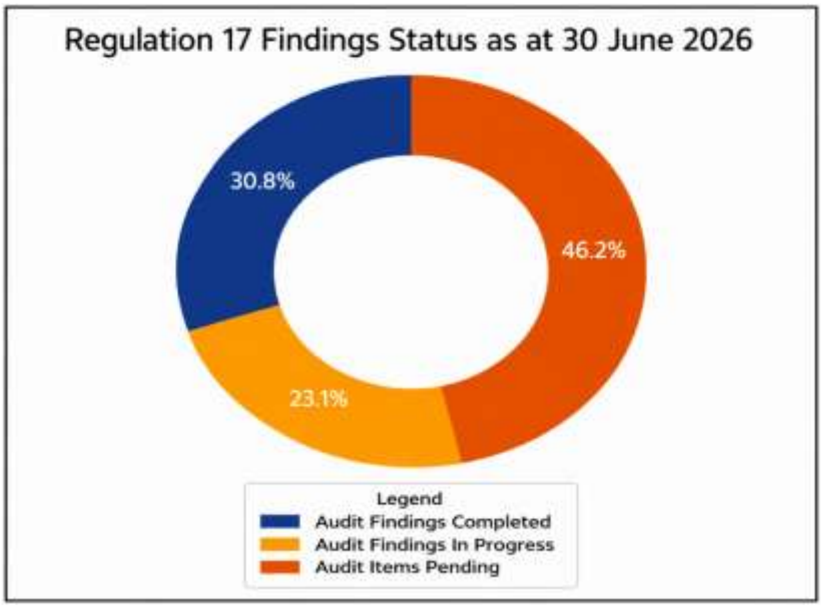
The Shire has commenced the implementation of actions arising from the statutory compliance reviews. These actions aim to strengthen legislative compliance, and improve governance, internal control processes, and the effectiveness of financial management systems.

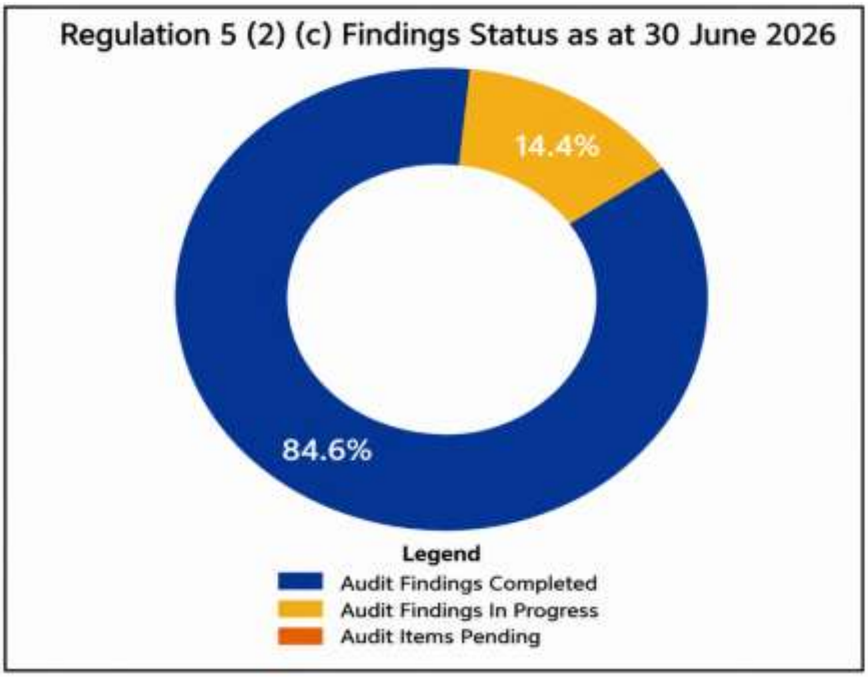
Implementation efforts to date include:

- Reviewing and updating key operational policies and procedures.
- Updating internal controls, particularly in relation to asset management and system access.
- Integrating compliance improvements into broader organisational reform and improvement initiatives.

Several actions have been completed, while others are scheduled for implementation in future reporting periods, depending on available resources and alignment with related projects. Some recommendations have been incorporated into existing strategic initiatives to maximise efficiency and minimise duplication.

This progress report demonstrates the Shire's commitment to good governance and continuous improvement. A detailed status update for each action item, including responsible officers and revised timelines, is provided in Confidential Attachment 7.1.





STATUTORY IMPLICATIONS

Regulation 17 of the *Local Government (Audit) Regulations 1996*
Regulation 5 of the *Local Government (Financial Management) Regulations 1996*

POLICY IMPLICATIONS

The Following Policies are relevant to this report:

- POL-1005 Code of Conduct for Elected Members & Candidates
- POL-1011 Risk and Opportunity Management
- POL-2009 Sundry Debt Collection
- POL-2014 Information Management & ICT Acceptable Use
- REG-1001 Delegations Register.

STRATEGIC IMPLICATIONS

This matter relates to the following sections of the *Strategic Community Plan 2023-2033:*

Focus Area: SUSTAINABILITY

Goal 10: Community-driven Leadership - Leaders work with the community to develop and implement change in delivering positive outcomes

Goal Outcome 10.4: Innovation - Embrace technology, creativity and innovation to solve complex problems

Strategy 10.4: Integrate all planning and resource management to drive continuous improvement and innovation

RISK IMPLICATIONS

Risk: Failure to manage the appropriateness and effectiveness of the Shire's systems and procedures in relation to financial management, risk management, internal control and legislative compliance.

Control: Review policies and procedures in accordance with relevant statutory requirements and identified risk priorities, complete the statutory compliance review under Audit Regulation 17 and Financial Management Regulation 5(2)(c), implement the recommendations as part of our commitment to continuous improvement.

FINANCIAL IMPLICATIONS

The cost of Stantons the review and the preparation of the report was $27,720 excl. GST.

CURRENT AND FUTURE ASSET CONSIDERATIONS

Asset Management: The absence of a formal process for asset acquisition, disposal, and stock take increases the risk of financial mismanagement.

Financial Systems: The SynergySoft system requires better alignment with delegations and more controlled access to payroll and finance data.

COMMUNITY ENGAGEMENT

No community engagement is required.

ATTACHMENTS

1. Confidential - Regulation 5 Update
2. Confidential - Regulation 17 Update

5.2. FINANCE - QUARTERLY FINANCIAL REPORT

AUTHOR:	Manager Finance
RESPONSIBLE OFFICER:	Alexandra Bell, Director Corporate Services
DISCLOSURE OF INTERESTS:	Nil
COUNCIL'S ROLE IN THE MATTER:	Regulator - enforce state legislation and local laws
VOTING REQUIREMENT:	Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to Council:

That Council receives the Quarterly Financial Report for the period ended 31 March 2026.

PURPOSE

To present the Audit Risk and Improvement Committee with the Shire's unaudited Quarterly Financial Report, highlighting material variances and key financial management risks. This quarterly review forms part of the year-end process and supports oversight of financial sustainability, infrastructure investment, and performance against budget.

BACKGROUND / PREVIOUS CONSIDERATIONS BY COUNCIL OR COMMITTEE

Quarterly financial reporting is a mechanism to provide transparency and oversight of the Shire's financial position, performance against budget, and management of material variances.

Regular review supports early identification of risks or emerging financial issues.

COMMENTS

The Quarterly Financial Statements are unaudited and remain subject to change.

The Quarterly Financial Report includes:
- Statement of Financial Activity for the Quarter
- Financial Trend Analysis
- Financial Ratio Analysis
- Statement of Financial Position
- Commentary on significant financial risks or emerging issues.

During the fourth quarter of the 2025–26 financial year:

– Net assets decreased by approximately $8.2 million over the quarter, bringing total equity to $360.3 million. This movement primarily reflects the timing of capital expenditure, depreciation and funding flows during the period.

- Cash and cash equivalents remained strong at $64.7 million, although balances reduced over the quarter as capital projects progressed and available funds were utilised.
- Operating income increased by approximately $5.65 million, or 19%, compared with June 2025. This was primarily driven by higher operating grants, including the early receipt of Financial Assistance Grant funding, together with increased interest revenue supported by higher cash and investment balances.
- Operating expenditure increased by approximately $2.92 million, or 9%, compared with the prior year, largely due to higher employee costs and materials and contracts expenditure. Despite these increases, both categories remained below the adopted budget at 30 June 2026.
- The operating profit margin increased from 22% to 25%, reflecting revenue growth exceeding expenditure growth. However, the result was materially influenced by the timing of grant funding and higher interest earnings and should therefore be interpreted cautiously when assessing underlying recurrent performance.
- The asset sustainability ratio increased from 2.18 to 4.09, reflecting significant renewal and construction activity funded largely through external grants.
- The own source revenue ratio declined from 75% to 73%, reflecting a higher proportion of operating revenue derived from grants and contributions rather than a decline in locally generated revenue.
- The rates coverage ratio decreased from 42% to 36% as total operating revenue, particularly grant and interest revenue, increased at a faster rate than general rates revenue.

Overall, the Shire remains in a sound financial position, supported by strong liquidity, manageable debt levels and continued delivery of grant-funded infrastructure projects. While employee costs and materials and contracts increased compared with the prior year, both remained below budget. Continued attention to recurrent revenue, expenditure management and capital delivery will support the Shire’s ongoing financial sustainability.

STATUTORY IMPLICATIONS

Regulation 34 of the *Local Government (Financial Management) Regulations 1996*

Regulation 16 of the *Local Government (Audit) Regulations 1996*

POLICY IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

This matter relates to the following sections of the *Strategic Community Plan 2023-2033:*

Focus Area: SUSTAINABILITY

Goal 10: Community-driven Leadership - Leaders work with the community to develop and implement change in delivering positive outcomes

Goal Outcome 10.4: Innovation - Embrace technology, creativity, and innovation to solve complex problems

Strategy 10.4: Integrate all planning and resource management to drive continuous improvement and innovation

RISK IMPLICATIONS

Risk: Failure to manage the disbursement of funds to meet the needs of the Shires forward planning requirements, including the Strategic Community Plan, Corporate Business Plan, Long Term Financial Plans and Annual Budget.

Control: Monthly, Quarterly and Annual finance reports. Department specific Budget to Actual reports. Emerging issues flagged in this quarter include advance grant receipt timing and the continued gap between asset depreciation and renewal expenditure.

FINANCIAL IMPLICATIONS

This report outlines preliminary third-quarter results, including an approximate $8.2 million decrease in net assets. These figures are unaudited and remain subject to final audit adjustments.

Current and Future Asset Considerations

The asset sustainability ratio increased from 1.03 to 4.22 when contrasted with the same quarter 3 of the prior financial year. This was driven by significant grant-funded renewal and construction activity. While this reflects strong short-term investment in infrastructure, the elevated result is largely externally funded. Future budgets will need to maintain a focus on sustainable asset renewal funding to support long-term financial and asset sustainability.

COMMUNITY ENGAGEMENT

No community engagement is required.

ATTACHMENTS

1. Confidential - SWEK June 2026 Quarterly Financial Report

5.3. AUDIT - USE OF DELEGATED AUTHORITY

AUTHOR	Manager Finance
RESPONSIBLE OFFICER:	Alexandra Bell, Director Corporate Services
FILE NO:	PL.02.05
DISCLOSURE OF INTERESTS:	Nil
COUNCIL'S ROLE IN THE MATTER:	Regulator - enforce state legislation and local laws
VOTING REQUIREMENT:	Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to Council:

That Council notes the report relating to the exercise of Delegation 1.2.26 – Defer, Grant Discounts, Waive or Write Off Debts for the period 1 May 2026 to 30 June 2026.

PURPOSE

To inform the Audit Risk and Improvement Committee of the exercise of delegated authority under Delegation 1.2.26 – Defer, Grant Discounts, Waive or Write Off Debts for the period from 1 May 2026 to 30 June 2026.

BACKGROUND / PREVIOUS CONSIDERATIONS BY COUNCIL OR COMMITTEE

In accordance with section 6.12(1)(b) and 6.12(1)(c) of the *Local Government Act 1995,* the Chief Executive Officer, Director Corporate Services, and Manager Finance are delegates under Delegation 1.2.26. This delegation allows delegates to waive debts, grant concessions, and write off monies owed to the Shire. Fees and charges may be waived where necessary to rectify an error or to assist a not-for-profit community group or charitable entity in fulfilling a social, cultural or community service within the district.

Delegation 1.2.26 can be used to waive or write off a maximum of $2,000 per individual debt or customer per year. The exercise of this delegation is required to be reported to the Audit Risk and Improvement Committee.

COMMENTS

In accordance with Delegation 1.2.26 of the Shire's Delegation Register, delegated authority was exercised during the period 1 May 2026 to 30 June 2026 in relation to the waiver of fees and charges and the write-off of minor amounts.

During the reporting period, the Chief Executive Officer approved the waiver of admission fees totalling $840 for a not-for-profit organisation function and the Director Corporate Services and the

Manager Finance exercised delegated authority to write off minor rates-related amounts across rates assessments. The total value of waivers and write-offs approved during the period was $1021.40.

All waivers and write-offs were approved within the applicable delegated financial limits and in accordance with the conditions of Delegation 1.2.26.

The rates-related write-offs comprised minor amounts relating to rates, interest, instalment fees and administration fees. These write-offs were associated with ownership transfer adjustments, ESL interest reversal, instalment and administration fee reversals where properties were paid in full by the due date, interest reversal for a non-rateable property, and clerical correction.

STATUTORY IMPLICATIONS

Local Government Act 1995 (WA)

- Section 6.12(1)(b) and section 6.12(1)(c) of the provide that a local government may waive, grant concessions in relation to, or write off amounts of money owed to the local government, subject to section 6.12(2) and any other written law.

- Section 6.12(2) provides that section 6.12(1)(a) and section 6.12(1)(b) do not apply to an amount owing in respect of rates and service charges. Accordingly, rates and service charge amounts are treated as write-offs under section 6.12(1)(c).

- Section 5.44(1) allows the CEO to sub-delegate powers and duties to other employees.

- Section 5.46(3) requires delegates to keep records in accordance with the regulations when exercising delegated powers or duties.

Local Government (Administration) Regulations 1996 (WA)

- Regulation 19 prescribes the recordkeeping requirements for the exercise of delegated authority.

POLICY IMPLICATIONS

POL-2020 Waiver of Fees and Charges applies to the fee waiver recorded in Attachment 2 and provides the policy framework for the assessment, approval, documentation, recordkeeping and reporting of fee waivers and reductions.

POL-2016 Financial Hardship – Rates and Sundry Debtors and POL-2007 Rates and Charges Debt Collection are relevant to the broader rates, sundry debtor and debt recovery framework and are scheduled for review at the May 2026 Ordinary Council Meeting.

Any consequential updates arising from the May 2026 policy review should be reflected in future reporting under Delegation 1.2.26.

STRATEGIC IMPLICATIONS

This matter relates to the following sections of the *Strategic Community Plan 2023-2033:*

Focus Area: SUSTAINABILITY

Goal 10: Community-driven Leadership - Leaders work with the community to develop and implement change in delivering positive outcomes

Goal Outcome 10.3: Advocacy - Strong and consistent advocacy for local needs and priorities
Strategy 10.4: Integrate all planning and resource management to drive continuous improvement and innovation

RISK IMPLICATIONS

Risk: Failure to manage the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance.

Control: Delegated authority enables prompt and cost-effective resolution of minor debtor issues, preserving resources for larger recoveries and supporting fair community outcomes. Reporting the exercise of Delegation 1.2.26 to the Audit Risk and Improvement Committee provides oversight of compliance with delegation limits, policy requirements and recordkeeping obligations.

FINANCIAL IMPLICATIONS

A total of $1861.40 was waived or written-off under Delegation 1.2.26 during the period of 1 May 2026 to 30 June 2026. These were minor charges added during the year, such as interest and admission fee corrections.

Current and Future Asset Considerations

Nil

COMMUNITY ENGAGEMENT

No community engagement is required.

ATTACHMENTS

1. Confidential - Write Off Register – Debtors
2. Confidential - Write Off Register - Rates

5.4. RISK - SAFETY

AUTHOR:	Executive Manager Human Resources and Safety
RESPONSIBLE OFFICER:	Chief Executive Officer
FILE NO:	PL.17.33
DISCLOSURE OF INTERESTS:	Nil
COUNCIL'S ROLE IN THE MATTER:	Regulator - enforce state legislation and local laws
VOTING REQUIREMENT:	Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to Council:

That Council:

1. **Notes the workplace health and safety update; and**
2. **Requests the Chief Executive Officer to continue reporting progress on identified workplace health and safety corrective actions through the Audit, Risk and Improvement Committee until the actions are closed.**

PURPOSE

To provide the Audit Risk and Improvement Committee with the current state of health and safety in the Shire workplace and to consider needed changes to realign the organisation with legislative responsibilities.

BACKGROUND / PREVIOUS CONSIDERATIONS BY COUNCIL OR COMMITTEE

In July 2024, LGIS carried out a workplace health and safety assessment as part of the 3 Steps to Safety program. The assessment identified areas for improvement and informed the development of a workplace health and safety action plan. – see Attachment One - 2024 SWEK Tier 3 Report. See Attachment Two - LGIS Report Action Plan from 2024 Assessment, for the progress of actions.

In October 2025 a series of internal safety reviews and workplace safety inspections were undertaken across Shire Operations. These reviews considered previous audit findings, insurer recommendations and internal safety observations. The review identified control weaknesses requiring corrective action. These matters have been considered by the Executive Management Team for prioritisation and management response. Four notices of non-conformance were issued to address areas of risk to the organisation that require immediate attention. These notices and associated findings were shared with members of the Executive Management Team (EMT) for discussion, prioritisation, and determination of appropriate corrective actions.

The notices of non-conformance highlighted areas of non-compliance with Western Australian workplace health and safety regulations in the following key areas:

- Plant, fleet, and maintenance systems
- Waste management systems
- Asbestos management
- Use of earthmoving equipment to lift loads

The Committee will be asked to monitor outcomes and may provide feedback on proposed control improvements.

COMMENTS

The MYOSH safety system will be used to record hazards, incidents, inspections, corrective actions and progress towards resolution. Reporting will be provided to each Audit, Risk and Improvement Committee meeting.

Refer to confidential attachment 1.

STATUTORY IMPLICATIONS

Work Health and Safety Act 2020

Section 19 requires the Shire to ensure, so far as is reasonably practicable, the health and safety of workers while at work.

Section 27 requires officers to exercise due diligence to ensure the Shire complies with its WHS duties and obligations.

Work Health and Safety (General) Regulations 2022

Regulations 34 to 38 require workplace hazards to be identified, risks to be managed, control measures to be maintained and control measures to be reviewed.

Regulations 203, 213, 214, 215 and 219 are relevant to the reported matters concerning plant, mobile plant, plant maintenance and plant used to lift or suspend loads.

Regulations 420, 422, 425, 426, 427 and 429 are relevant to the reported matters concerning asbestos exposure, asbestos identification, asbestos registers and asbestos management plans.

Local Government (Audit) Regulations 1996 (WA)

Regulation 16 is relevant to the Committee's role in reviewing reports and recommending improvements relating to risk management, internal control and legislative compliance.

POLICY IMPLICATIONS

Management to review relevant workplace health and safety policies, procedures and operational controls to confirm they adequately address the identified corrective actions. Council policy changes should only be proposed where Council-level policy direction is required.

STRATEGIC IMPLICATIONS

This matter relates to the following sections of the *Strategic Community Plan 2023-2033:*

Focus Areas: Liveability & Connection

Goal 1: Safe communities - A community where we all feel safe

Goal Outcome 1.2: Safe Physical Environment - People feel safe on the streets and in public areas and can engage in healthy vibrant active lives

Strategy 1.1: The Shire will work to improve the distribution and awareness of information and resources on safety and crime prevention

RISK IMPLICATIONS

Risk: Failure to create and maintain an organisational culture which promotes a safe and positive work environment, fosters employee satisfaction, motivates employees to perform and increases organisational effectiveness.

Risk: Failure to manage and implement an effective, forward planned capital works program which meets the safety and functional requirements of the community.

Control: Control: Management review of identified control weaknesses, workplace health and safety action tracking, MYOSH reporting, corrective action close-out, Executive Management Team oversight and periodic reporting to the Audit, Risk and Improvement Committee.

FINANCIAL IMPLICATIONS

Financial implications will depend on the corrective actions required. Any additional expenditure will be considered through the annual budget, budget review process or a separate Council decision, as applicable.

Current and Future Asset Considerations

Plant, fleet and facility asset management processes will support inspection, servicing, maintenance, operational safety and provide reliable records. Any future plant or fleet decisions must consider workplace health and safety risk controls relevant to the intended use, operating environment, maintenance requirements, operator competency and manufacturer requirements.

COMMUNITY ENGAGEMENT

No community engagement required.

ATTACHMENTS

1. Confidential - Q2 2026 Safety Report

5.5. RISK - LEGAL MATTERS

AUTHOR:	Chief Executive Officer
RESPONSIBLE OFFICER:	Vernon Lawrence, Chief Executive Officer
DISCLOSURE OF INTERESTS:	Nil
COUNCIL'S ROLE IN THE MATTER:	Regulator - enforce state legislation and local laws
VOTING REQUIREMENT:	Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to Council:

That Council note the report on legal fees expended to 30 June 2026.

PURPOSE

This report provides an overview of legal matters with potential or actual risk exposures relevant to the Shire's operations.

BACKGROUND / PREVIOUS CONSIDERATIONS BY COUNCIL OR COMMITTEE

Legal risks can impact financial, operational, and reputational outcomes. Monitoring legal risks supports the Shire's risk management framework. A verbal report will be provided.

COMMENTS

The report provides a summary of ongoing and concluded legal matters which may include:

- Active litigation and claims
- Potential legal disputes
- Governance-related legal risks

STATUTORY IMPLICATIONS

Regulation 16 of the *Local Government (Audit) Regulations 1996*

POLICY IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

This matter relates to the following sections of the *Strategic Community Plan 2023-2033:*

Focus Area: SUSTAINABILITY

Goal 10: Community-driven Leadership - Leaders work with the community to develop and implement change in delivering positive outcomes

Goal Outcome 10.4: Innovation - Embrace technology, creativity and innovation to solve complex problems

Strategy 10.4: Integrate all planning and resource management to drive continuous improvement and innovation

RISK IMPLICATIONS

Risk: Failure to manage a governance framework which transparently embraces good governance practices.

Control: Monitoring of legal risks.

FINANCIAL IMPLICATIONS

Legal cost exposure managed through existing budgets.

Current and Future Asset Considerations

Potential financial liabilities.

COMMUNITY ENGAGEMENT

No community engagement is required.

ATTACHMENTS

1. Confidential - Legal Fees

5.6. RISK - STRATEGIC RISK REVIEW: RISK AND OPPORTUNITY MANAGEMENT FRAMEWORK REVIEW

AUTHOR:	Strategic Performance Advisor
RESPONSIBLE OFFICER:	Vernon Lawrence, Chief Executive Officer
FILE NO:	RM.02.1
DISCLOSURE OF INTERESTS:	Nil
COUNCIL'S ROLE IN THE MATTER:	Leader - plan and provide direction through policy and practices
VOTING REQUIREMENT:	Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to Council:

That Council:

1. **Notes that the Draft Corporate Business Plan has been updated to include an Activity for Governance and Statutory Compliance, including the regular review of the Risk and Opportunity Management Framework;**
2. **Notes that the Audit, Risk and Improvement Committee has reviewed the draft Framework, with specific consideration of the proposed approach to Risk Appetite and Risk Tolerance, and has provided advice and feedback on the draft content, including the proposed Council Risk Appetite Statement; and**
3. **Notes that the draft Framework has been further refined having regard to the Committee's feedback and will be presented to Council for formal consideration.**

PURPOSE

This report advises that the Draft Corporate Business Plan has been updated to include a Governance and Statutory Compliance Activity. The Activity provides for review of the Shire's compliance, reporting and risk management frameworks, including development of an action plan and updates to relevant registers. Its inclusion in the Corporate Business Plan supports strong governance, transparent reporting and effective oversight by assigning clear responsibility for maintaining the long-term financial and non-financial planning arrangements required to deliver the Shire's goals and strategies. This approach also supports the work of the Audit, Risk and Improvement Committee by strengthening organisational accountability, risk management and alignment between resources and priorities.

This report presents the proposed Risk Appetite Statement based on Committee Member feedback to be included in the Risk and Opportunity Management Framework.

BACKGROUND / PREVIOUS CONSIDERATIONS BY COUNCIL OR COMMITTEE

At the April Ordinary Council Meeting, Council adopted an updated Risk and Opportunity Management Policy. The updated Policy reinforces the importance of a consistent, integrated and proactive approach to managing risk and opportunity across the Shire and establishes clearer expectations around governance, accountability and oversight.

Following adoption of the updated Policy, the Shire is now required to ensure that the Risk and Opportunity Management Framework is aligned with, and gives practical effect to, the revised Policy settings. The Framework is the key document that translates policy intent into operational guidance, methodologies and governance arrangements across strategic, corporate and operational risk tiers.

The Shire's existing risk management arrangements provide a practical operational foundation and are established at the activity and service delivery level. However, these arrangements have historically relied on an implicit rather than explicit articulation of Council's risk appetite, resulting in potential variability in how risk acceptance, escalation and treatment decisions are applied across the organisation.

The draft Risk and Opportunity Management Framework has been developed to address this gap by introducing a clear and structured approach to Risk Appetite and Risk Tolerance, including the development of a proposed Council Risk Appetite Statement. The Framework is being presented to the Audit, Risk and Improvement Committee at this stage to confirm the Committee's feedback on a proposed Council Risk Appetite Statement.

The Audit Risk and Improvement Committee was presented with the Draft Framework at the previous Committee Meeting held in May 2026. A key element of the draft Framework presented to committee was the introduction of a more explicit and articulated approach to Risk Appetite and Risk Tolerance, including the development of a proposed Council Risk Appetite Statement. Given the importance of Council's risk appetite in shaping strategic decision making, prioritisation, and oversight, early engagement with the Audit, Risk and Improvement Committee was sought to ensure the proposed approach is robust, fit for purpose, and aligned with the Shire's legislative obligations and adopted risk management policy settings.

COMMENTS

The Committee was invited to provide advice on the draft Framework, including the development of Council's Risk Appetite Statement. The Statement is intended to set out Council's overall risk posture in a clear and accessible form that can be publicly adopted and referenced.

To inform the Statement, Committee Members were asked to consider the proposed appetite levels for each risk category and advise whether they appropriately reflect the organisation's preferred balance between opportunity, service delivery, governance and accountability.

- Very Low: Minimal acceptance of risk. Strong controls and oversight required.
- Low: Limited acceptance of risk. Conservative approach preferred.
- Moderate: Balanced approach. Some risk accepted where benefits justify exposure.
- High: Greater willingness to accept risk to achieve strategic objectives.
- Very High/Extreme: Significant risk acceptance in pursuit of innovation or transformational outcomes.

Committee feedback is summarised below:

Risk category's	Very Low	Low	Moderate	High	Very High
Legal and Compliance: Legal implications and breaches, including fines and custodial sentencing and compliance with legislation and Local Laws.	25%	62.5%		12.5%	
Environmental: Environmental risks arise from poor or inadequate practices and systems when working in the environment.	25%	50%	25%		
Financial: Financial and Budgetary risks arise from the misuse and/or poor management of annual budget, government grants and funding.	12.5%	62.5%	25%		
People Health and Safety: Risks relating to the health and safety of employees, contractors, volunteers, visitors and members of the public. These risks arise from failing to adhere to the Shire's OSH Policy and failure to report and manage knowns.	87.5%				12.5%
Service Delivery: Risks arising from failure, disruption, inefficiency, or inadequacy in operational processes, systems, assets, resources, suppliers, or service delivery arrangements that affect the continuity, quality, timeliness, safety, accessibility, or effectiveness of services provided by the Shire.	25%		62.5%		12.5%
Reputation: Risks arising from actual or perceived impacts on community trust, confidence, engagement, and relationships, including adverse public perception, stakeholder dissatisfaction, ineffective communication, inadequate consultation, media attention, and long term social or reputational harm to the Shire.	25%	50%	25%		
Innovation/Growth: For innovation and growth, the organisation may have a moderate to high appetite for risk, recognising that calculated risks are sometimes required to drive improvements and deliver enhanced outcomes for the community.		37.5%	50%	12.5%	

Based on the above feedback the following risk tolerance levels are proposed to be included in the proposed Council Risk Appetite Statement.

Risk category	Risk Tolerance
Legal and Compliance:	Low
Environmental:	Low
Financial:	Low
People Health and Safety:	Very Low
Service Delivery:	Moderate
Reputation:	Low
Innovation/Growth:	Moderate

It is proposed that the Council Risk Appetite Statement in the Shire's Risk and Opportunity Framework include the above table of risk tolerances and be review annually by the Audit, Risk and Improvement Committee.

STATUTORY IMPLICATIONS

The Framework supports compliance with relevant legislative and regulatory obligations by promoting a structured and consistent approach to risk identification, assessment and management.

- Section 3.1 of the *Local Government Act 1995 (WA)* provides that the general function of a local government is to provide for the good government of persons in its district. The Framework supports this function by embedding risk consideration into governance, planning and service delivery.
- Regulation 16 of the *Local Government (Audit) Regulations 1996 (WA)* sets out the functions of the Audit, Risk and Improvement Committee, including receiving and reviewing reports and recommending actions or improvements to Council in relation to risk management, legislative compliance and financial management systems and procedures.
- Regulation 17 of the *Local Government (Audit) Regulations 1996 (WA)* requires the CEO to review the appropriateness and effectiveness of the local government's systems and procedures in relation to financial management, legislative compliance and risk management, with each matter to be reviewed at least once every four financial years.
- Section 19 of the *Work Health and Safety Act 2020 (WA)* requires the Shire to ensure, so far as is reasonably practicable, the health and safety of workers and other persons affected by Shire work.
- Regulations 34, 35 and 36 of the *Work Health and Safety (General) Regulations 2022 (WA)* require hazard identification, elimination or minimisation of risks to health and safety, and application of the hierarchy of control where risks cannot be eliminated

POLICY IMPLICATIONS

The draft Risk and Opportunity Management Framework gives effect to the Shire's Risk Management Policy. Committee feedback will inform refinement of the Framework prior to consideration by Council for endorsement.

STRATEGIC IMPLICATIONS

This matter relates to the following sections of the *Strategic Community Plan 2023-2033:*

Focus Area: SUSTAINABILITY

Goal 10: Community-driven Leadership - Leaders work with the community to develop and implement change in delivering positive outcomes

Goal Outcome 10.4: Innovation - Embrace technology, creativity and innovation to solve complex problems

Strategy 10.4: Integrate all planning and resource management to drive continuous improvement and innovation

RISK IMPLICATIONS

Risk: Failure to develop appropriate, meaningful policies and supporting frameworks that enable the administration to perform in an effective and efficient way.

Control: Adoption of the Risk and Opportunity Management Policy and development of the supporting Framework to establish clear governance, accountability, and alignment with legislative and strategic requirements.

Risk: Failure to manage the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance.

Control: Adoption of a formal risk management policy and Framework aligned with AS ISO 31000:2018 and relevant legislation to guide consistent practice across the organisation. Ongoing oversight and review of risk management, internal control, and compliance systems in accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996* (WA), including reporting to the Audit, Risk and Improvement Committee.

FINANCIAL IMPLICATIONS

There are no direct financial impacts associated with consideration of this report. Effective risk appetite articulation supports improved financial decision-making by clarifying Council's tolerance for financial and service delivery risks.

Any future financial implications arising from implementation of the Framework, including system improvements, training, internal audit activity or additional assurance work, will be considered through the annual budget process or separate Council reports where required.

Current and Future Asset Considerations

There are no immediate asset considerations arising from this report.
The Framework supports longer term asset planning and investment decisions by embedding risk based thinking into project and asset lifecycle management.

COMMUNITY ENGAGEMENT

There is no requirement for community engagement in relation to this report. Internal consultation with key Shire Officers has informed the development of both the document and its content.

The Framework is primarily an internal governance and management document. If Council later adopts a Council Risk Appetite Statement, publishing that statement may assist transparency by explaining the level of risk Council is prepared to accept in different decision-making contexts.

ATTACHMENTS

Nil

5.7. IMPROVEMENT - PROCUREMENT AND CONTRACT COMPLIANCE

AUTHOR:	Procurement Manager
RESPONSIBLE OFFICER:	Alexandra Bell, Director Corporate Services
FILE NO:	TBA
DISCLOSURE OF INTERESTS:	Nil
COUNCIL'S ROLE IN THE MATTER:	Regulator - enforce state legislation and local laws
VOTING REQUIREMENT:	Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to Council:

That Council note the procurement and contract management compliance review for the period 1 March 2026 to 31 May 2026 and the control improvements implemented or underway.

PURPOSE

The purpose of this report is to inform the Audit Risk and Improvement Committee of procurement and contract management compliance outcomes, identified risks, and control improvements arising from the targeted procurement risk review undertaken for the period 1 March 2026 to 31 May 2026.

BACKGROUND / PREVIOUS CONSIDERATIONS BY COUNCIL OR COMMITTEE

Procurement and contract management activities carry inherent financial, compliance, and reputational risks. Oversight supports compliance with legislation, policy, and sound governance practice.

COMMENTS

A random sample of procurement activity from the review period was reviewed to assess compliance with the Shire's policy *POL-2004 Purchasing* and related legislative requirements.

The review confirmed that the majority of purchase orders were compliant with policy and delegation requirements. Overall, the review indicates that procurement controls are generally effective, with administrative improvements and other opportunities for improvement identified.

A detailed analysis and graphical summary of the review outcomes have been provided at Attachment 1.

Procurement Compliance and Improvement Overview

SWEK Procurement and Finance have commenced a structured improvement program to strengthen how purchasing, contracts, supplier setup and payment controls work across the Shire. The aim is to make the process simpler for staff, more consistent across departments, and easier to monitor and report, while keeping it aligned with legislative requirements and good local government practice.

Recent internal reviews show that Procurement is now using regular monitoring to identify where controls need to improve and where stronger consistency is needed across the organisation. The review work has confirmed that the main areas requiring attention include retrospective purchasing, incomplete documentation, contract monitoring, supplier setup controls, and the quality of budget and commitment information. Procurement is not treating these as isolated issues; instead, it is building a monitoring framework so trends can be tracked and addressed over time.

To respond to this, SWEK has developed a staged improvement roadmap over the next 3, 6 and 9 months. The first phase focuses on stabilising core controls and creating a clear baseline. The second phase focuses on reviewing policy, procedures and the handoff between Procurement and Finance. The final phase focuses on embedding the new controls through training, reporting, registers and regular assurance reviews. The overall goal is to have clearer controls, better visibility, improved reporting and a simpler end-to-end process.

As part of this work, Procurement is building practical tools to support better decision-making and reduce confusion for staff. These include simpler guidance for managers, improved procedures, stronger contract and exemption registers, supplier master reviews, and more regular compliance reporting. The improvement program is designed not just to find problems, but to strengthen the Shire's ability to demonstrate fairness, accountability and value for money going forward.

In summary, Procurement is moving from reactive issue handling to a more planned and visible compliance model.

STATUTORY IMPLICATIONS

Local Government (Functions and General) Regulations 1996 (WA)

- Regulation 11A(1) requires a purchasing policy for purchases of $250,000 or less. This is relevant to the review of POL-2004.

- Regulation 11A(3)(ba) requires the purchasing policy to address quotation requirements. This is relevant to the review of quotation evidence.

- Regulation 11A(3)(b) requires the purchasing policy to address record keeping for quotations and purchases. This is relevant to documentation and contract or panel references.

- Regulation 5(1)(e)requires proper authorisation for liabilities and payments. This is relevant to retrospective purchase orders and invoice variances.

- Regulation 5(2)(a) requires local government resources to be effectively and efficiently managed. This is relevant to unused purchase orders and commitment reporting.

Local Government (Audit) Regulations 1996 (WA)

- Regulation 16(b) allows the Audit, Risk and Improvement Committee to review reports on financial management, legislative compliance and risk management systems. This is relevant to the Committee's oversight of the review.

POLICY IMPLICATIONS

Compliance with the Shire's POL-2004 Purchasing Policy.

The review identifies opportunities to improve supporting procedures, guidance, registers and staff education to support consistent application of POL-2004.

STRATEGIC IMPLICATIONS

This matter relates to the following sections of the *Strategic Community Plan 2023-2033:*

Focus Area: Sustainability

Goal 10: Community-driven Leadership - Leaders work with the community to develop and implement change in delivering positive outcomes

Goal Outcome 10.4: Innovation - Embrace technology, creativity and innovation to solve complex problems

Strategy 10.4: Integrate all planning and resource management to drive continuous improvement and innovation

RISK IMPLICATIONS

Risk: Failure to maintain effective systems and procedures for procurement, contract management, internal control and legislative compliance.

Control: Procurement framework, purchasing policy, compliance monitoring, contract and supplier controls, targeted education and periodic reporting to the Audit Risk and Improvement Committee.

FINANCIAL IMPLICATIONS

No additional budget allocation is requested through this report. Improvements are being progressed through existing operational resources unless otherwise identified through future budget or resourcing processes.

Current and Future Asset Considerations

Procurement and contract management controls support asset-related expenditure by helping ensure goods, services and works are procured transparently, within budget and in line with approved requirements. Continued improvement in these controls will support project delivery, contractor performance, whole-of-life cost considerations and value for money.

COMMUNITY ENGAGEMENT

No community engagement is required.

ATTACHMENTS

1. Procurement and Contract Compliance ARIC Report - AUG 26

6. MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

7. CLOSURE