

**SHIRE OF BRUCE ROCK**

**AUDIT AND RISK COMMITTEE MEETING MINUTES – 18 DECEMBER 2025**

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## SHIRE OF BRUCE ROCK

### AUDIT AND RISK COMMITTEE MEETING MINUTES – 18 DECEMBER 2025

#### 1. Declaration of Opening

The Chair, Cr Ram Rajagopalan declared the meeting open at 10.17am.

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

Chair	Cr R Rajagopalan
Deputy Chair	Cr AR Crooks
Councillor	Cr SA Strange
Chief Executive Officer	Mr M Furr
Deputy Chief Executive Officer	Ms M Haythornthwaite
Independent Community Representative	Mrs Catherine Negri
Executive Manager Corporate Services	Mr M Darby

#### 3. Response to Previous Public Questions Taken on Notice

#### 4. Public Question Time

#### 5. Petitions / Deputations / Presentations / Submissions

#### 6. Confirmation of Minutes

Audit Committee Meeting held on 20 November 2025.

#### OFFICER RECOMMENDATION AND COMMITTEE DECISION

##### Resolution ARCM Dec 25 – 6.1

**Moved:** Cr Strange

**Seconded:** Cr Crooks

**That the minutes of the Audit and Risk Committee Meeting held on 20 November 2025 be confirmed as a true and correct record.**

**For:** Cr AR Crooks, Cr S Strange, Cr R Rajagopalan, and C Negri.

**Against:** Nil

**Carried 4/0**

## 7. Reports of Officers

### 7.1. Adoption of the 2024/25 Shire of Bruce Rock Annual Report

File Reference	1225.7.1
Disclosure of Interest	Neither the Author nor Authorising Officer have any Impartiality, Financial or Proximity Interest that requires disclosure.
Applicant	Nil
Previous Item Numbers	Nil
Date	8 December 2025
Author	Mark Furr - Chief Executive Officer
Authorising Officer	Mark Furr - Chief Executive Officer
<b>Attachments</b> 1. Shire of Bruce Rock 2024/25 Annual Report (containing Annual Financial Report. 2. Auditors Management Letter (Confidential – sent under separate cover). 3. Opinion – Shire of Bruce Rock (Confidential – sent under separate cover).	

#### Summary

The Local Government Act 1995 requires that Council accepts the draft Annual Report each financial year, including the Financial and Auditor’s Reports, no later than 31 December or within two months of the Auditor’s Report becoming available, if that is not received prior to 31 December. The Auditor’s report was received on the 8 December 2025. The Audit and Risk Committee has met (prior to the scheduled Ordinary Council Meeting) and officers have recommended the Audit Committee and the Council to accept the Annual Financial Statements and Independent Audit Report.

#### Background

In accordance with section 5.53 of the *Local Government Act 1995*, a local government is required to prepare an annual report for each financial year. The report provides is to provide the following:

- A report from the Shire President and Chief Executive Officer;
- The 2024/25 Financial Report;
- The 2024/25 Auditor Report; and
- Any other prescribed information

Council is also requested to give consideration to determining the date, time and location of the Annual General Meeting of Electors. The meeting must be held within 56 days from the date Council accepts the Annual Report and Financial Statements. If Council accepts the Annual Report at this meeting, it is proposed that the Electors Meeting be held on Thursday 12 February 2026, at 3pm.

A copy of the 2024/25 Annual Report has been circulated for Council’s review and consideration. Following its adoption, the Annual Report will be made available to the public and presented at the Annual General Meeting of Electors.

### Consultation

Consultation has been undertaken with the following:

- Office of the Auditor General Auditors;
- AMD Auditors;
- Audit and Risk Committee; and
- Senior Management Team.

### Statutory Environment

Adoption of the report is a statutory requirement to ensure compliance with the Act and facilitate transparency and accountability to the community. The following references to the Local Government Act 1995, are applicable to this item:

- Local Government Act 1995 Section 5.27 – Electors’ general meetings;
- Local Government Act 1995 Section 5.29 – Convening electors’ meetings;
- Local Government Act 1995 Section 5.53 – Annual reports;
- Local Government Act 1995 Section 5.54 – Acceptance of annual reports;
- Local Government Act 1995 Section 5.55 – Notice of annual reports; and
- Local Government Act 1995 Section 5.55A – Publication of annual report.

### Policy Implications

The Council’s Policy Manual contains no policies that relate and nor are there any proposed.

### Financial Implications

The Shire’s Joint Arrangements in 2023, 2024 and 2025 were overstated by \$5.46M, after an error in percentage ownership was identified from July 2023. There are no other matters of significance for the Council to be appraised other than noting that the actual audited final surplus for the year ending 30 June 2025 is \$1,559,597, as opposed to the adopted budgeted surplus brought forward being \$1,522,598, some \$36,999 more than predicted.

Key Takeaways:

- Total Equity:
  - \$222.15M (down from \$226.29M in 2024, due to restatement after correction of Joint Arrangements).
- Revenue Performance:
  - Total Revenue: \$5.79M.
- Key Contributors:
  - Rates: \$1.9M.
  - Operating and Capital Grants: \$2.52M.
  - Fees and Charges: \$1.09M.
- Expense Highlights:
  - Total Operating Expenses: \$11.72M (up from \$9.42M in 2024, increased depreciation from \$3.5M to \$6.2M).
- Largest Cost Centres:
  - Employee Costs: \$2.85M.
  - Depreciation: \$6.24M.
- Cash Flow Position:
  - Closing Cash: \$2.33M, down from \$2.97M in 2024.

- Operating Activities:
  - Generated a net inflow of \$389k.
- Investing Activities:
  - Recorded a net outflow of \$3.11M due to purchases of property, plant and equipment, and purchase and construction of infrastructure.
- Capital Investments:
  - Asset and Infrastructure Development: \$1.17M invested.
- Liabilities and Borrowings:
  - Total Liabilities: \$3.26M, down from \$3.71M in 2024.
  - Lease liabilities \$21K from \$28k in 2024.

### Strategic Implications

Shire of Bruce Rock Strategic Community Plan 2022-2032	
Outcome:	4.0 Governance Priorities
Strategy:	4.1 Our organisation is well positioned and has capacity for the future.

### Risk Implications

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
The adoption of the Annual Report, including the Annual Financial Report, is a statutory obligation under the Local Government Act 1995. Failure to adopt the report within the required timeframe may result in non-compliance with legislative requirements, leading to reputational damage, loss of community trust, and potential regulatory action. Additionally, delays in adoption could hinder effective communication of the Shire's performance and financial position to stakeholders, impacting transparency and accountability.	Rare (1)	Moderate (3)	Low (1-4)	Compliance Requirements	Accepting the Annual Report will ensure compliance.

### Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of **three (3)** has been determined for this item. Any items with a risk rating over 10 or greater (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating of 16 or greater will require a specific risk treatment plan to be developed.

### Comment/Conclusion

It is recommended that the Annual Report be considered by the electors of the Shire at the Annual Electors' Meeting to be held on Thursday 26 February 2026 (which would coincide with the February 2026 Ordinary Meeting of Council), commencing at 3:00 pm, which is within the 56-day period from the date of Council accepting the draft Annual Report.

### Audit Opinion

The OAG has expressed an unqualified audit opinion for 2024/25 Annual Financial Report.

The opinion stated by the auditor was that the financial report was:

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

### Management Letter

It should be noted that the audit identified one (1) significant finding throughout the audit. A total of four(4) findings were presented in the letter, one (1) of which was rated significant, and three (3) rated minor. Details are as follows:

#### 1. Joint Arrangements

##### Rating: Significant

- The Shire has six previously undisclosed joint arrangements with The State Housing Commission (Homeswest) that had not been correctly reported in prior financial reports.
- The Shire had historically recognised the full value of the related land and buildings as its own assets, rather than based on its ownership percentage, as required by AASB 11 Joint Arrangements. This resulted in material prior period errors which 2023-24 financial report to be restated.

##### Implication

- The financial statements did not comply with AASB 11 Joint Arrangements resulting in materially misstated assets and equity in prior periods.

#### Recommendation

- Management should ensure that all joint arrangements are accurately recorded, and all relevant disclosures are appropriately included in the financial statements.
- A list of all joint venture and lease arrangements should be maintained and monitored on a regular basis to ensure that appropriate accounting treatment can be applied as required.

#### Management comment

- Management accepts the recommendation and is confident that the matter is now resolved, as action has already been taken and that future joint arrangement reporting in future Annual Financial Reports will be completed correctly in accordance with AASB 11.

### **2. Excessive Leave Balances**

#### Rating: Minor (2024: Minor)

- The Local Government Industry Award 2010 deems an employee's leave accrual to be excessive if the employee has accrued more than eight weeks annual leave and 13 weeks long service leave.
- Our audit procedures identified two employees who had an annual leave balance more than eight weeks as at 30 June 2025.
- This was raised in the previous year, noting that management are closely monitoring excessive leave balances of staff.

#### Implication

- The cost to the Shire is greater if leave is not paid on a regular basis due to the cumulative effect of salary increasing over a period of time. In addition, recreational leave enhances employee performance, and it is a fundamental principle of good internal control that all employees take regular leave.

#### Recommendation

- The Shire should continue to manage and monitor the excessive leave balances to reduce the liability, risk of business interruption and potential fraud.

#### Management comment

- Management accepts this recommendation and will ensure this matter will be addressed by the 30 June 2026.

### **3. IT Risk Register**

#### Rating: Minor (2024: Moderate)

- We noted that there is no IT risk register in place therefore management have not formally evaluated the risk associated with the overall security policy.
- We understand that the Shire entered into an agreement with the Office of Digital Government's (DGoV) Cyber Security Unit for the period from 23 October 2024 to 30 June 2026 to participate in the Local Government Cyber Security Uplift Pilot Project, through which the matter outlined above will be addressed.

#### Implication

- Lack of adequate risk assessment identification, evaluation and mitigating internal control processes in relation to Information Technology and Cyber Security risks.

#### Recommendation

- We recommend a comprehensive risk identification, evaluation and mitigation process be undertaken to ensure all potential risks associated with Information technology, specifically Cyber Security are

considered and documented. Subsequently we recommend the risk register be updated to include specific Information Technology and Cyber Security risks such as Ransomware breaches, data breaches due to phishing emails, general data breaches, reputational damage and related media which may be required in the event of a Cyber Security breach etc.

#### Management comment

- Management accepts this recommendation and can confirm that this work will be completed by 30 June 2026.

#### **4. Lease Agreements**

##### Rating: Minor

- During our review and enquiries relating to lease agreements, we identified eight instances where the lease agreement had expired.

##### Implication

- The lack of current lease agreements may expose the Shire to financial and operational risks including potential disputes over tenancy terms, rental amounts, and responsibilities. It also reduces the organisation's ability to enforce contractual obligations and respond effectively to changes in occupancy.

##### Recommendation

- We recommend that management implement timely renewal or renegotiation of lease agreements. Updated lease documentation should be maintained to accurately reflect the occupancy terms and minimise financial and operational risks.

##### Management comment

- Management accepts this recommendation and can confirm that this work is already underway with the employment of a Shire staff member to oversee and address all lease arrangements. This will be completed by 30 June 2026.

#### **Voting Requirements**

Simple Majority Recommendations 1 and 2.

#### **OFFICER RECOMMENDATION AND COMMITTEE DECISION**

##### **Resolution ARCM Dec 25 – 7.1**

**1. That with respect to Annual Financial Report for Financial Year 2024/25 the Audit and Risk Committee note the items discussed in the Confidential Management Letter and Independent Audit Report and the Administration's responses regarding:**

- **Joint Arrangements;**
- **Excess Leave Balances;**
- **IT Risk Register; and**
- **Lease Agreements.**

**2. That with respect to Annual Financial Report for Financial Year 2024/25 the Audit and Risk Committee recommend to Council:**

- **The acceptance of the Annual Report including the Annual Financial Report and Audit Report for the 2024/2025 year, noting that it is an 'unqualified' audit;**

- **Convene the Annual Electors’ Meeting on the 12 February 2026, in the Shire Hall, commencing at 3.00 pm; and**
- **Publish the Annual Report, Audit Report, Notice of Meeting and give public notice(s) to the above effect, pursuant to the Local Government Act 1995, sections, 5.29, 5.55, 5.55A, on the Shire’s website, official Notice Boards and Facebook site.**

**Moved: C Negri**

**Seconded: Cr Crooks**

**For: Cr AR Crooks, Cr S Strange, Cr R Rajagopalan, and C Negri.**

**Against: Nil**

**Carried 4/0**

**8. New Business of an urgent nature introduced by discussion of the meeting.**

Mr Furr updated the committee on the recent webinar that he attended regarding Audit, Risk, and Improvement Committees.

**9. Confidential Items.**

**10. Closure of Meeting.**

The Chair Cr R Rajagopalan closed the meeting at 10.45am.

These minutes were confirmed at a meeting on Thursday 26 February 2026.

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Cr Ram Rajagopalan  
Chair