



Agenda

Audit Risk and Improvement Committee

To be held in Council Chambers
54 Johnson Street, Bruce Rock
Thursday 24 September 2026
Commencing at 11.30am

AGENDA
AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
DATE 24 SEPTEMBER 2026

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SHIRE OF BRUCE ROCK
AGENDA
AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING
DATE 24 SEPTEMBER 2026

Disclaimer

The recommendations in the Agenda are subject to confirmation by Council. The Shire of Bruce Rock warns that anyone who has any application lodged with Council must obtain, and should only rely on, written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Bruce Rock for any act, omission or statement or intimation occurring during a Council Committee meeting.

- 1. Declaration of Opening**
- 2. Record of Attendance / Apologies / Leave of Absence (Previously Approved)**
- 3. Response to Previous Public Questions Taken on Notice**
- 4. Declarations of Interest**

In accordance with section 5.65 of the Local Government Act 1995, the following disclosures of **Financial (Both Direct and Indirect)** interest were made at the Council meeting.

Date	Name	Item No	Reason

In accordance with section 5.65 of the Local Government Act 1995, the following disclosures of **Closely Associated Person and Impartiality** interest were made at the Council meeting.

Date	Name	Item No	Reason

In accordance with sections 5.60B and 5.65 of the Local Government Act 1995, the following disclosures of **Proximity** interest were made at the Council meeting.

Date	Name	Item No	Reason

5. Public Question Time
6. Petitions / Deputations / Presentations / Submissions
7. Confirmation of Previous Meeting Minutes

That the minutes of the Audit Risk and Improvement Committee held on 23 July 2026 be confirmed as an accurate record of the proceedings.

8. Business Arising from Previous Meeting

9. Financial and Audit Matters

9.1. 2025 Compliance Audit Return

File Reference	
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	16 September 2026
Author	Vanessa Ward – Executive Services Manager
Authorising Officer	Mark Furr – Chief Executive Officer
Attachments 1. 2025 Compliance Audit Return (Under Separate cover)	

Summary

For Council to adopt the 2025 Compliance Audit Return, which covers the period 1 January to 31 December 2025, in accordance with the Local Government (Audit) Regulations 1996.

Background

Regulation 14 of the Local Government (Audit) Regulations 1996 requires the Shire of Bruce Rock to complete an annual Compliance Audit Return (CAR) for the period 1 January to 31 December of the previous calendar year. The CAR assesses the Shire's compliance with the statutory requirements prescribed under Regulation 13.

The Chief Executive Officer must prepare the CAR in the form approved by the Local Government Inspector and provide a copy to the Audit, Risk and Improvement Committee (ARIC) for review before presenting to Council.

Council must then consider the CAR along with any review recommendations at a meeting of Council.

Once adopted by Council, a certified copy of the CAR, signed by the Chief Executive Officer and Shire President must be submitted to the Local Government Inspector no later than 30 September 2026.

Comment

In previous years the CAR has been required to be submitted to the Department of Local Government, Sport and Cultural Industries by the 31 March of the year following the reporting period.

The 2025 CAR submission represents an exception to the 31 March deadline due to the introduction of the Local Government Inspector (LGI) and several changes to statutory requirements impacting CAR questions.

Due to the change in reporting requirements, the deadline for submission of the 2025 CAR has been extended to 30 September 2026. The CAR is an annual self-evaluation undertaken by the Shire. It was previously structured across ten categories and reported to Council through the Audit Committee, now the ARIC.

Consultation

Nil

Statutory Environment

Regulation 14(1) to (5) of the Local Government (Audit) Regulations 1996 requires a local government to carry out a compliance audit in each year for the period 1 January to 31 December, and prepare a Compliance Audit Return in the prescribed form to be reviewed by the ARIC and adopted by Council.

Policy Implications

There are no policies relating to this nor are there any intended.

Financial Implications

Nil

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)
Failure to adopt and submit the 2025 Compliance Audit Return within the required timeframe may result in non-compliance with statutory requirements and potential regulatory or reputational consequences for the Shire.	Unlikely (2)	Moderate (3)	Medium (5-9)	Compliance Requirements	Accept Officer Recommendation

Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		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 six (6) 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.

Conclusion

The completion of the CAR is a statutory requirement, however it is also an excellent assessment tool for testing the Shire's internal procedures and practices. The CAR covers various requirements in relation not 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; and
- Local Government (Functions and General) Regulations 1996.

An internal audit was conducted to verify management comments for the 2025 CAR. Management responses, supporting documentation and processes were independently reviewed conducting an Internal Audit to ensure that:

- Applicable local government legislation and regulations relating to the CAR were followed; and
- Appropriate processes were implemented to ensure the completeness and accuracy of supporting evidence and information available to complete the CAR.

Voting Requirements

Simple Majority

OFFICER RECOMMENDATION

That the Audit Risk and Improvement Committee recommend that Council adopts the Compliance Audit Return for the period 1 January 2025 to 31 December 2025 as presented in Attachment 1.

9.2 Interim Audit Management Letter

File Reference	082025.9.1
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	16 September 2026
Author	Mike Darby – Executive Manager Corporate Services
Authorising Officer	Mark Furr – Chief Executive Officer
Attachments 1. Interim Management Letter to CEO (Confidential - Under Separate Cover) 2. Interim Management Letter Attachment (Confidential - Under Separate Cover)	

Summary

The Audit and Risk Committee is asked to recommend to Council that it receive the Interim Audit Management Letter for the year ended 30 June 2026.

Background

Auditors AMD Accountants have completed the Shire of Bruce Rock's (Shire) interim audit for the financial year ending 30 June 2026 on behalf of the Office of the Auditor General (OAG), and have prepared an Interim Management Letter containing items that need to be addressed by the Shire.

Comment

The OAG has previously advised that Interim Management Letters are to be discussed behind closed doors at Audit and Risk Committee and Council meetings, as the final audit has not yet been completed.

At the completion of the annual audit, the auditor prepares an Audit Report and a Management Letter outlining any areas or issues that the Shire needs to address.

The focus of the interim audit is to evaluate the overall control environment of an organisation (but not for the purpose of expressing an opinion on the effectiveness of internal control), and to obtain an understanding of the key business processes, risks and internal controls relevant to the audit of the annual financial report. The Interim Audit Management Letter is issued upon completion of the interim audit.

The following is the Interim Audit Management Letter and the Shire management's response to the interim audit findings:

Index of findings	Potential impact on audit opinion	Rating			Year First Raised
Matters Identified during the current year		Significant	Moderate	Minor	
1. Purchase Order Exceptions	No			✓	2026

Key to ratings

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

"1. Purchase Order Exceptions

Finding

From our expenditure testing, we identified three purchase orders, out of 24 samples tested, that were raised after the related invoice dates. The delays between the invoice dates and purchase order creation dates ranged from one to two days.

Rating: Minor

Implication

This increases the risk of unauthorised or non-compliant expenditure, weakens procurement controls, and reduces assurance that purchases are appropriately approved and achieve value for money.

Recommendation

We recommend that the Shire ensures purchase orders are raised and approved before expenditure is incurred to maintain effective procurement controls and support value-for-money outcomes.

Management comment

Whilst the Shire has conducted ongoing reviews and subsequent improvements to its procurement policy and processes during the past 12 months, the Shire acknowledges that there were some anomalies to these improvements. To mitigate these risks, the EMCS has introduced a fortnightly Creditors report that identifies PO's raised dates, versus invoice dates. Purchasing staff will be managed accordingly to ensure compliance with this requirement. The Shire is confident that by Final Audit it will be able to evidence this process embedded as part of the purchasers procurement routine.

Responsible person: Chief Executive Officer

Completion date: 30 September 2026"

Consultation

Consultation has been undertaken with the following:

- Chief Executive Officer;
- AMD Auditors; and
- Office of the Auditor General

Statutory Environment

- Local Government Act 1995;
- Local Government (Financial Management) Regulations 1996, regulation 34(5); and
- Local Government (Audit) Regulations 1996.

Policy Implications

Nil.

Financial Implications

Nil.

Strategic Implications

Shire of Bruce Rock Strategic Community Plan 2022-2032	
Outcome:	4.0 Governance Priorities
Strategy:	4.3 A proactive and well managed Shire.

Risk Implications

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
The Shire's financial controls and management practices are not compliant.	Unlikely (2)	Major (4)	Medium (5-9)	Compliance Requirements	Manage by implementing agreed recommendations made by the auditor.

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 **eight (8)** 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.

Conclusion

The Audit and Risk Committee is requested to recommend to Council that Council receive the Interim Audit Management Letter.

Voting Requirements

Simple Majority

OFFICERS' RECOMMENDATION

That Audit and Risk Committee recommends to Council that Council receive the Interim Audit Management Letter for the financial year ended 30 June 2026.

10. Confidential Items

11. General Business

12. Next Meeting

The next meeting of the Audit Risk and Improvement Committee will be held on Thursday 26 November 2026.

13. Closure of Meeting

Being no further business the Chairperson declared the meeting closed at am.