

# Shire of Cocos (Keeling) Islands

## Shire of Cocos (Keeling) Islands

### Agenda

**Audit and Governance Committee Meeting**

**Wednesday 23 August 2023, 4.30pm (CKI time)**

**Council Chamber, Administration Building**

**Lot 256 Jalan Bunga Melati, Home Island**

## **OUR VALUES**

### **Service**

Provide the best service we can.

We serve the community and each other.

### **Accountability**

We take responsibility for our own actions.

We do what we say we will do.

Mistakes are an opportunity to learn.

### **Support**

We support our team and our community.

Look for opportunities to help each other.

### **Respect**

We respect and value others.

Our interactions are always respectful towards others.

### **Integrity**

We will be honest and transparent with all our dealings.

Maintain confidentiality.

Trust each other.

### **Achievement**

Being proactive and enabling the outcomes.

Be creative and think outside the square.

### **Disclaimer**

Members of the public should note that in any discussion regarding any planning or other application that any statement or intimation of approval made by any member or officer of the Shire during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire. No action should be taken on any item discussed at a Council meeting prior to written advice on the resolution of the Council being received. Any plans or documents contained in this document may be subject to copyright law provisions (Copyright Act 1968, as amended) and the express permission of the copyright owner(s) should be sought prior to the reproduction.

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- 1. OPENING/ANNOUNCEMENTS OF VISITORS**
- 2. ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)**
- 3. PUBLIC QUESTION TIME**
- 4. DECLARATION OF INTERESTS**

Members of the Committee are bound by the provisions of *the Local Government Act 1995, Section 5.65* with respect to disclosure of financial, impartiality or proximity interests.

Name	Item No	Interest	Nature

## **5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

- 6.1 Audit Committee Meeting held on 21 June 2023  
Attachment 6.1

### **RECOMMENDATION – ITEM NO 6.1**

**PURSUANT TO SECTIONS 3.18 AND 5.22(2) OF THE LOCAL GOVERNMENT ACT 1995, THE MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 21 JUNE 2023, ARE PRESENTED IN ATTACHMENT 6.1 FOR CONSIDERATION BY THE AUDIT AND GOVERNANCE COMMITTEE.**

## **6. PRESENTATIONS**

## 7. OFFICER'S REPORTS

### 7.1 AUDIT ACTIONS STATUS REPORT – JULY 2023

#### Report Information

Date:  
 Applicant: Shire of Cocos (Keeling) Islands  
 File Ref:  
 Location: Not Applicable  
 Disclosure of Interest: Nil  
 Reporting Officer: Chief Executive Officer  
 Island: Shire Wide  
 Attachments: 7.1.1 - Confidential Attachment - Audit Actions Status Report – July 2023

#### Authority / Discretion

#### Definition

<input type="checkbox"/>	Advocacy	<i>when Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>
<input checked="" type="checkbox"/>	Executive	<i>the substantial direction setting and oversight role of the Council. E.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i>
<input type="checkbox"/>	Legislative	<i>includes adopting local laws, town planning schemes and policies. Review when Council reviews decisions made by officers.</i>
<input type="checkbox"/>	Quasi-Judicial	<i>when Council determines an application / matter that directly affects a person's right and interest. The judicial character arises from the obligations to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licenses, applications for other permits / licenses.</i>
<input type="checkbox"/>	Information	<i>Includes items provides to Council for information purposes only that do not require a decision of Council (i.e. – for noting).</i>

## Report Purpose

For the Committee to receive a report on the status of Audit Actions presented by internal and external auditors and other improvements as identified by officers.

## Relevant Documents

Available for viewing at the meeting.

Nil

## Background

Local governments are required by the *Local Government Act* and associated regulations to carry out a number of audits/reviews, being:

- Annual financial audit – conducted by the Office of the Auditor General (s7.12AB)
- Systems and Controls Audit (LG Audit Regulation 17.)
- Review of Financial Management Systems and Procedures (LG Financial Management Regulation 5.) – conducted internally or by external consultant/auditor
- Other supplementary or performance audits as directed by the Office of the Auditor General (s7.12AF/s7.12AJ)

Some local governments are additionally utilising a formal internal audit program to ensure risk is managed, and opportunities for continuous improvement are identified.

At the conclusion of any of these audits, the auditor/reviewer, where required, will issue a management report, outlining any identified issues/risks and in most cases a recommendation for improvement. It is then up to management to determine the solution to be implemented and carry out the action.

## Comment

It is important for the Audit Committee to maintain oversight of the status of any required actions, ensuring risks are managed effectively. For many councils, it is common practice that audit actions (be it internal or external audits) statuses are reported to the Committee to ensure that actions are closed out. To date, the Shire of Cocos (Keeling) Islands reports to the Committee at the conclusion of each Audit the management letter and any issues identified, provide comment, however where actions may not have been closed out, these can fall away and remain open/unactioned for a many reasons.

Officers have reviewed all Audit reports going back three years, collated all issues/actions listed and provided an update to the status as contained in Confidential Attachment 7.1.1. By incorporating this as a regular report to the Audit Committee it will ensure that

accountability and transparency is maintained, and the Committee maintains oversight, identifying any high risks to the Shire.

This is a new process for the Shire and officers, and actions will be progressed as a matter of importance, however it must be noted that this will require a change management focus within the organisation and the process and report will continue to evolve over time.

### **Policy and Legislative Implications**

#### Section 7.12A of the Local Government Act (WA) (CKI)

#### Local Government (Audit) Regulations 1996

##### *17. CEO to review certain systems and procedures*

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

*(a) risk management; and*

*(b) internal control; and*

*(c) legislative compliance.*

*(2) The review may relate to any or all of the matters referred to in sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*

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

#### Local Government (Financial Management) Regulations 1996

##### *5. CEO's duties as to financial management*

*(1) Efficient systems and procedures are to be established by the CEO of a local government —*

*(a) for the proper collection of all money owing to the local government; and*

*(b) for the safe custody and security of all money collected or held by the local government; and*

*(c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*

*(d) to ensure proper accounting for municipal or trust —*

*(i) revenue received or receivable; and*

*(ii) expenses paid or payable; and*

*(iii) assets and liabilities; and*

*(e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and*



*(f) for the maintenance of payroll, stock control and costing records; and  
(g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*

*(2) The CEO is to —*

*(a) ensure that the resources of the local government are effectively and efficiently managed; and*

*(b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*

*(c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

### **Financial Implications**

Nil

### **Strategic Implications**

Shire of Cocos (Keeling) Islands Strategic Community Plan 2022 – 2037

Objective L1: To be involved, respectful and inclusive and to facilitate diversity and representation within the decision-making process.

### **Risk Implications**

<b>Risk Category</b>	<b>Description</b>	<b>Rating (consequence x likelihood)</b>	<b>Mitigation Action</b>
Financial	High risk actions may remain outstanding, putting the Shire's financial controls at risk, and open to fraudulent action.	Moderate	Close out all actions as soon as possible and look for continuous improvement opportunities.
Reputation	Consecutively not completing audit recommendations can result in reputation risk to the Shire, and Local Government.	Moderate (6)	Providing the report to the Committee will ensure that transparency and accountability is maintained.
Fraud	High risk actions may remain outstanding,	Moderate	Close out all actions as soon as possible and

	putting the Shire’s financial controls at risk, and open to fraudulent action.		look for continuous improvement opportunities.
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**Risk Matrix**

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

**Conclusion**

That the Audit Committee receive the Audit Actions Status report for June 2023.

**OFFICER RECOMMENDATION – ITEM NO 7.1**

**THAT THE AUDIT AND GOVERNANCE COMMITTEE, PURSUANT TO *REGULATION 16 OF THE LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996 (WA) (CKI)* RECOMMENDS THAT COUNCIL RECEIVE THE AUDIT ACTIONS STATUS REPORT FOR JULY 2023 AS CONTAINED IN CONFIDENTIAL ATTACHMENT 7.1.1.**

## 7.2 Risk Management Policy

### Report Information

Date: 23 August 2023  
 Location: Cocos (Keeling) Islands  
 Applicant: Chief Executive Officer  
 File Ref: Nil  
 Disclosure of Interest: Nil  
 Reporting Officer: Chief Executive Officer  
 Island: Shire wide  
 Attachments: 7.2.1 – Risk Management Policy  
 7.2.2 – Risk Management Framework

### Authority / Discretion

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<input type="checkbox"/>	Information	<i>Includes items provides to Council for information purposes only that do not require a decision of Council (i.e. – for noting).</i>

**Report Purpose**

The purpose of this report is to seek endorsement of the recently updated Shire of Cocos (Keeling) Islands Risk Management Report and Risk Management Framework prior to presentation to Council for approval.

**Relevant Documents**

Available for viewing at the meeting

Nil

**Background**

The Risk Management Policy and Risk Management Framework are essential documents for the Shire to meet auditory and operational requirements. Recently updated the draft documents are tabled for review and endorsement to take to Council for approval.

**Comment**

Both documents form part of Council's integrated planning framework.

**Policy and Legislative Implications**

Local Government (Audit) Regulations 1996

**Financial Implications**

Nil

**Strategic Implications**

Shire of Cocos (Keeling) Islands Strategic Community Plan 2022 – 2037

Objective L1: *To be involved, respectful and inclusive and to facilitate diversity and representation within the decision-making process.*

**Voting Requirements**

Majority

**OFFICER RECOMMENDATION – ITEM 7.2**

**THAT THE AUDIT AND GOVERNANCE COMMITTEE, BY MAJORITY, ENDORSE THE SHIRE OF COCOS (KEELING) ISLANDS RISK MANAGEMENT POLICY AND RISK MANAGEMENT FRAMEWORK, AS TABLED TO BE PRESENTED TO COUNCIL FOR APPROVAL.**

**8. MATTERS BEHIND CLOSED DOORS**

**9. CLOSURE OF BUSINESS**