

SHIRE OF COCOS (KEELING) ISLANDS

REPORT TO THE MINISTER FOR REGIONAL DEVELOPMENT, LOCAL GOVERNMENT AND TERRITORIES

Significant Matter Identified in the 2024/25 Financial Audit

Section 7.12A(4) – Local Government Act 1995 (WA) (CKI)

1. Purpose

This report has been prepared by the Shire of Cocos (Keeling) Islands in accordance with section 7.12A(4) of the Local Government Act 1995 (WA) (CKI) in response to a matter identified as significant by the Shire's auditor during the audit of the Annual Financial Statements for the year ended 30 June 2025.

The report outlines the significant matter and the actions the Shire has taken, or intends to take, in response.

2. Significant Matter Identified by the Auditor

The Auditor's Management Letter identified a significant finding titled:

Material contract not subject to a tender process.

The auditor reported that in June 2025 the Shire entered into a contract for the provision of internet services with Cocos Communications and IT Pty Ltd, trading as Pulu Connect, with a value of \$826,564, without undertaking a procurement tender process as required under the Shire's procurement requirements.

The auditor identified that this exposed the Shire to:

- an increased risk of non-compliance with procurement requirements; and
- reduced assurance that the contract represented best value for money, as a competitive market process was not undertaken.

The auditor recommended that material contracts be executed through competitive tender processes and that, where exceptional or urgent circumstances require a contract to be entered into without formal tender, the decision should be appropriately justified, documented and approved in accordance with legislative and policy requirements.

The finding was rated Significant, but was assessed as having no potential impact on the audit opinion.

3. Circumstances Surrounding the Procurement

At the time of the procurement, the Shire was required to secure replacement telecommunications services within a limited timeframe following notification that the existing service arrangements would cease.

Continuity of telecommunications services was considered critical to the operation of the Shire, the Islands and the broader community. The circumstances were further influenced by the limited number of telecommunications service providers operating within the Cocos (Keeling) Islands.

The Local Government Act 1995 and Local Government (Functions and General) Regulations 1996 provide circumstances in which a public tender process may not be required, including specified emergency and sole-supplier circumstances.

Management considers that the circumstances existing at the time may have been relevant to consideration of those provisions. However, the procurement was undertaken under the direction of the former Chief Executive Officer and current management cannot establish from the available records

precisely which exemption, if any, was relied upon or the full basis upon which that determination was made.

Accordingly, the Shire acknowledges that the principal governance weakness was not simply the absence of a public tender process, but that the available records do not adequately demonstrate:

- the particular statutory or regulatory exemption relied upon;
- the factual basis supporting application of that exemption;
- the consideration given to alternative suppliers;
- the assessment of value for money; or
- the approvals and supporting procurement documentation associated with the decision.

This is consistent with management's response to the auditor, which acknowledged that the documentation supporting the procurement process and application of any relevant exemption provisions may not have been completed to the expected standard.

The proposed contractual arrangements were presented to Council at its May 2025 Ordinary Council Meeting, where Council endorsed the proposed arrangements. The contract was subsequently executed in June 2025.

4. Subsequent Audit and Council Consideration

The significant audit finding and management response were subsequently considered as part of the 2024/25 audit process.

The Audit, Risk and Improvement Committee considered the audited Annual Financial Statements, Independent Auditor's Report, Auditor's Management Letter and management responses at its meeting held on 27 July 2026.

Council subsequently considered the significant audit finding at its Ordinary Council Meeting held on 29 July 2026.

Under Council Resolution OCM/26/083, Council:

- noted the significant audit finding;
- endorsed management's response and proposed actions addressing the finding; and
- required the Chief Executive Officer to prepare and provide this report to the Minister and subsequently publish it on the Shire's official website.

5. Actions Taken and Proposed

The Shire has considered the auditor's recommendation and has adopted a combination of immediate, ongoing and longer-term corrective measures.

Action	Responsibility	Timeframe
Reinforce compliance with the Shire's Procurement Policy and statutory tender requirements, including requirements relating to procurement exemptions.	CEO / Executive Team	Ongoing
Ensure any future reliance on an emergency, sole-supplier or other tender exemption is supported by a written assessment identifying the applicable provision, reasons,	CEO / Relevant Manager	Immediate and ongoing

Action	Responsibility	Timeframe
evidence, approval and value-for-money considerations.		
Provide procurement and record-keeping training to relevant managers and officers.	Manager Governance, Risk and Planning	By 31 December 2026 and thereafter as required
Introduce periodic checks of material procurement activities to confirm compliance with procurement thresholds, quotation/tender requirements and documentation standards.	Manager Governance, Risk and Planning / Manager Finance and Corporate Services	Commence by 31 December 2026; ongoing periodic review
Develop and implement a centralised corporate records system to improve the capture and retention of procurement, contractual and approval records.	CEO / Manager Governance, Risk and Planning	Implementation underway during 2026/27
Maintain adequate records demonstrating value for money where a competitive tender process is not undertaken.	Relevant Manager / CEO	Immediate and ongoing
Undertake a comprehensive procurement process for telecommunications services before expiry of the current contract in mid-2027.	CEO / Executive Team	Commence sufficiently in advance of contract expiry
Complete the Shire's Digital and Telecommunications Strategy to establish its current and future telecommunications requirements and inform the forthcoming procurement process.	CEO / Executive Team	During 2026/27
Continue working with the Australian Government Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts on the necessary licensing and regulatory compliance arrangements for the Cocos (Keeling) Islands 4G network.	CEO / Relevant Shire officers	Ongoing

The Management Letter identifies the CEO and Executive Team as responsible for addressing the significant finding, with implementation recorded as ongoing.

6. Future Telecommunications Procurement

The existing telecommunications services contract is for a period of two years and expires in mid-2027.

This provides the Shire with an opportunity to undertake a more comprehensive and properly documented procurement process before the current arrangements expire.

The Shire intends that the future procurement process will be informed by its Digital and Telecommunications Strategy, which is currently being developed to provide a clearer understanding of:

- the Shire's current telecommunications arrangements;
- operational and community telecommunications requirements;
- future service and infrastructure needs;
- available technology and service delivery options; and
- appropriate future procurement and service delivery models.

This work will enable the Shire to approach the next telecommunications procurement with clearer specifications, sufficient lead time and a stronger basis for assessing competition and value for money.

The Shire is also actively working with the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts regarding the licensing and regulatory requirements applying to the Cocos (Keeling) Islands 4G telecommunications network.

These processes are expected to provide additional clarity regarding the Shire's future telecommunications responsibilities and requirements before the next procurement is undertaken.

7. Records Management and Governance Improvements

The audit finding has also highlighted the importance of maintaining readily accessible contemporaneous records supporting significant decisions.

The Shire is currently developing a centralised records management system intended to strengthen the capture, retention and retrieval of corporate records, including procurement documentation, contracts, approvals and supporting decision-making records.

This initiative will complement the procurement-specific improvements outlined in this report and assist in ensuring that future procurement decisions can be clearly demonstrated and independently reviewed.

Relevant managers and officers will also receive additional guidance and training regarding procurement requirements, particularly:

- statutory tender thresholds;
- procurement exemptions;
- documentation of urgent and exceptional procurement;
- value-for-money assessments;
- approval requirements; and
- corporate record-keeping obligations.

Periodic compliance checks will provide management with additional assurance that these requirements are being followed.

8. Current Status

The Shire considers the circumstances giving rise to the finding to have been exceptional, particularly the limited timeframe available to maintain continuity of critical telecommunications services and the limited local service-provider market.

Nevertheless, the Shire accepts that exceptional circumstances do not remove the requirement to clearly establish and document the legal and policy basis for the procurement approach adopted.

The Shire therefore accepts the auditor's recommendation and is strengthening both its procurement controls and broader corporate records framework.

No further similar procurement breaches have been identified by current management.

The current contract expires in mid-2027, providing sufficient time for the Shire to undertake a more thorough procurement exercise informed by the Digital and Telecommunications Strategy and the clarification of relevant telecommunications licensing and regulatory requirements.

9. Conclusion

The Shire acknowledges the significant matter identified by the auditor and recognises the importance of ensuring that material procurement decisions:

- comply with applicable legislative and policy requirements;
- clearly document any exemption relied upon;
- demonstrate appropriate consideration of value for money;
- are supported by adequate contemporaneous records; and
- receive the appropriate level of approval.

Council has considered the finding and, through Council Resolution OCM/26/083, endorsed management's response and proposed corrective actions.

The Shire considers that the measures outlined in this report provide an appropriate and proportionate response to the audit finding. In addition to strengthening procurement controls immediately, the Shire is improving its corporate records management arrangements and undertaking strategic work that will allow the next telecommunications procurement to be undertaken with sufficient lead time and a clearer understanding of the Shire's future requirements.

This report is provided to the Minister for Regional Development, Local Government and Territories in accordance with section 7.12A(4) of the Local Government Act 1995 (WA) (CKI).

The report will subsequently be published on the Shire of Cocos (Keeling) Islands' official website in accordance with the applicable statutory requirements.

Matthew Scott

Chief Executive Officer

Shire of Cocos (Keeling) Islands

Date: 11 August 2026