

# Shire of Cocos (Keeling) Islands

## Shire of Cocos (Keeling) Islands

### Minutes

### Audit and Governance Committee Meeting

Wednesday 25 January 2023, 4.00pm (CKI time)

Council Chambers, 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

The meeting was formally opened by the Chair of the Audit and Governance Committee, Cr Young at 4.04pm.

Request to attend the meeting via a virtual platform had been received by Cr Lacy.

The Shire President approved the request to attend by electronic means, in accordance with regulation 14C of *Local government (Administration) Regulations 1996*.

## 2. ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

**Presiding Member** Cr Young

**Committee Member** Cr Minkom  
Cr Lacy (via telephone link)

**Staff** Chief Executive Officer, Frank Mills  
Manager Finance and Corporate Services, Vikki Lauritsen  
Governance and Risk Coordinator, Ibrahim Macrae

**Visitors** Nil

**Apologies** Mr Anastasakis

**Approved Leave of Absence** Nil

## 3. 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
NIL			

## 4. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

4.1 Audit Committee Meeting held on 16 November 2022  
Attachment 4.1

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 16 NOVEMBER 2022, ARE PRESENTED IN ATTACHMENT 4.1 FOR CONSIDERATION BY THE AUDIT AND GOVERNANCE COMMITTEE.

**COMMITTEE RESOLUTION – ITEM NO 4.1**

**MOVED CR LACY                      SECONDED CR MINKOM**

**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 16 NOVEMBER 2022, ARE PRESENTED IN ATTACHMENT 4.1 FOR CONSIDERATION BY THE AUDIT AND GOVERNANCE COMMITTEE.**

**THE MOTION WAS PUT AND DECLARED CARRIED (3/0)**

**FOR: LACY, MINKOM, YOUNG**  
**AGAINST: NIL**

**5. PRESENTATIONS**

Nil

**6. OFFICER’S REPORTS**

## 6.1 PRESENTATION OF THE 2021/2022 AUDITORS REPORT

### Report Information

Date: 12 January 2023  
 Applicant: Shire of Cocos (Keeling) Islands  
 File Ref:  
 Location: Not Applicable  
 Disclosure of Interest: Nil  
 Reporting Officer: Manager Finance & Corporate Services  
 Island: Shire Wide  
 Attachments: 6.1.1 - Financial Statements for the year ended 30 June 2022  
 6.1.2 - Independent Auditors Report 2022  
 6.1.3 - CONFIDENTIAL Final Management Letter 30 June 2022  
 6.1.4 - Annual Report 2021/22.

### 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 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 checked="" 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

To receive the Audit Report for the 2021/2022 Financial Year and recognise the meeting held with the Shires Auditors.

### Relevant Documents

Available for viewing at the meeting

Nil

## Background

The Office of the Auditor General (OAG) conducted an on-site Audit from the 2nd to the 8 November 2022. Following the conclusion of the Audit an Audit Exit Meeting was held on the 19 December 2022 between Frank Mills - CEO, Vikki Lauritsen – Manager Finance & Corporate Services, Katie MacLachlan – Director of Financial Audit at the OAG and Jency Santhou – Principal Auditor at the OAG. Councillor Young (President of the Shire Audit and Governance Committee) was unable to attend.

It is a requirement under *Section 7.12A (2) of the Local Government Act 1995 (WA) (CKI)* that the Audit and Governance Committee meets with the Local Governments Auditor at least once every 12 months. It is recommended that a member of the Audit and Governance Committee attend the next Audit ‘Entry’ meeting as well as ‘Exit’ meeting for the 2022/23 financial audit.

As a requirement of the *Local Government Act 1995 (WA)(CKI)* the Shires Auditors are required to report on certain compliance matters and any other matters which arise during the course of their audit. The Independent Auditors Report is the format in which the Auditors report this information and was received on 20 December 2022.

The Audit Committee is to examine the Annual Financial Report, review any matters raised by the Auditor in the Management Report and ensure that appropriate action is taken in respect to those matters raised.

Section 5.27 of the *Local Government Act 1995 (WA) (CKI)* requires a general meeting of electors to be held not more than 56 days after the local government accepts the annual report. In order to set a date for the 2023 Electors’ General Meeting (EGM), the Council is required to have both received the audit report for the prior period as well as having accepted the Annual Report. In addition to acceptance of the Annual Report at the next Ordinary Council Meeting, approval of Council will be sought to set the date of the Electors’ General Meeting.

Upon acceptance of the Annual Report and approval of the EGM date and time, statutory advertising will take place and the Annual Report will be made available for viewing on the night of the Elector’s General Meeting and at any time on the Shire’s website.

This report presents the audited Annual Financial Report including the Independent Auditor’s Report and the Management Letter from the Shire’s Auditors for the year ended 30 June 2022. A copy of the Annual Report for the year ended 30 June 2022 is attached for the Audit and Risk Committee’s review.



An unqualified opinion has been issued, meaning that the Shire of Cocos (Keeling) Island's financial records and statements are fairly and appropriately presented, and in accordance with Australian Accounting Standards Board (AASB) and the *Local Government Act 1995 (WA)(CKI)*.

### **Comment**

The Audit Report received shows an unqualified audit opinion of the 2021/2022 Annual Financial Statements for the Shire. However, the report highlighted two findings, one Moderate and the other Significant,

The 2 items of non-compliance outlined below,

- The Auditors noted that termination checklists for 13 out of 16 terminated employees were not complete. In the absence of a completed checklist, there is a risk that not all matters associated with terminations are being addressed. There is an increased risk of financial loss to the Shire as assets may be misappropriated and the systems and network may be accessed inappropriately. It was recommended that management should review the processes associated with terminated employees to ensure that the termination checklists are completed for all terminating employees.
  - Management note that the Shire does not have a designated Human Resources Officer and recruitment and terminations are driven by the relevant manager with varying degrees of compliance and record keeping. The matter is on the agenda for the next Leadership Team meeting to ensure managers are aware of the correct process. The recent Workforce Plan adopted by Council in November 2022, outlines the recruitment of an appropriate staff member to perform a Human Resource Management role. The budget implications for this will be addressed as part of the 2022/23 Budget Review with recruitment expected to commence prior to 30 June 2023.
- The Significant finding raised related to a carry forward of prior year assessments that the Shire does not have policies and procedures in place for financial management and internal controls covering the following areas and functions:
  - ~ Risk management, including developing a risk register; and
  - ~ Business continuity and disaster recovery, including developing action plans.
  - Management note that a Risk Management Policy, Risk Management Framework and Risk Register have been drafted and will be presented for endorsement at the Audit Committee Meeting prior to being presented to Council for adoption.
  - Management has noted that Disaster Management and recovery is run by the Commonwealth. The Shire CEO has raised the question of recovery planning with the Commonwealth at the last Disaster Management Committee meeting

and intends to develop a Business Continuity action plan that aligns to the Commonwealths plans. The Commonwealth response was that their plans will be updated post this cyclone season. The Shire CEO expects to be able to develop a business continuity plan by June 2023.

**Policy and Legislative Implications**

*Local Government Act 1995 (WA) (CKI)*

*Section 1.4 Financial Report*

*Section 5.27 Electors General Meeting*

*Section 5.53 Annual Reports*

*Section 5.54 Acceptance of Annual Reports*

*Section 5.55 Notice of Annual Reports*

*Division 3A Financial Audit*

**Financial Implications**

The indicative audit fee for 2022 was \$69,300.

**Strategic Implications**

Strategic Community Plan: Civic Leadership

**Risk Implications**

<b>Risk Category</b>	<b>Description</b>	<b>Rating (consequence x likelihood)</b>	<b>Mitigation Action</b>
Reputation	For transparency it is important that the audit report is presented to the audit and governance committee.	Moderate (6)	There is a process in place to ensure the audit report is presented to the audit committee.
Compliance	The Report is to be presented to the Audit Committee annually in order to comply with relevant legislation.	Low (4)	There are processes in place to ensure compliance with relevant legislation.
Fraud	That the annual financial statements are materially misstated.	Moderate (8)	Annual statements are audited by the office of the auditor general.

**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 and Governance Committee recommends that Council receives the 2021/2022 Auditors Report of the Shire of Cocos (Keeling) Islands and notes the meeting held with the Shire’s external auditors.

**OFFICER RECOMMENDATION – ITEM NO 6.1**

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS THAT COUNCIL, IN ACCORDANCE WITH SECTION 5.54 OF THE *LOCAL GOVERNMENT ACT 1995 (WA)(CKI)*, AT ITS NEXT ORDINARY COUNCIL MEETING:

1. RECEIVE:
  - a. THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022, INCLUDING THE INDEPENDENT AUDITORS REPORT AS DETAILED AT ATTACHMENT 6.1.1 AND 6.1.2.
  - b. THE AUDITORS MANAGEMENT LETTER AS DETAILED IN CONFIDENTIAL ATTACHMENT 6.1.3; AND
  - c. THE 2021/22 ANNUAL REPORT AS DETAILED IN ATTACHMENT 6.1.4; AND
  
2. SET THE DATE FOR THE ANNUAL ELECTORS GENERAL MEETING AS WEDNESDAY 29 MARCH 2023 AT 12:45PM AT THE HOME ISLAND COUNCIL CHAMBERS AND AUTHORISE THE CEO TO GIVE PUBLIC NOTICE OF THE MEETING AND THE AVAILABILITY OF THE ANNUAL REPORT.

**COMMITTEE RESOLUTION – ITEM NO 6.1**

**MOVED CR MINKOM                      SECONDED CR LACY**

**THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS THAT COUNCIL, IN ACCORDANCE WITH SECTION 5.54 OF THE *LOCAL GOVERNMENT ACT 1995 (WA)(CKI)*, AT ITS NEXT ORDINARY COUNCIL MEETING:**

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**THE MOTION WAS PUT AND DECLARED CARRIED (3/0)**

**FOR:** LACY, MINKOM, YOUNG

**AGAINST:** NIL

## **7. MATTERS BEHIND CLOSED DOORS**

Nil

## **8. CLOSURE OF BUSINESS**

The Presiding member declared the meeting closed at 4.05pm.

These minutes were confirmed at a meeting on\_\_\_\_\_.

SIGNED this                                      day of                                      2023  
as a true record of proceedings.

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PRESIDING MEMBER