Minutes

Audit and Risk Management Committee

Tuesday, 11 February 2020, 5:30 pm

City of Fremantle

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Audit and Risk Management Committee

Minutes of the Audit and Risk Management Committee meeting
held in the City of Fremantle Administration Building at Fremantle Oval, 70 Parry Street Fremantle.
on **11 February 2020** at 5.30 pm.

1. Official opening, welcome and acknowledgement

The Presiding Member declared the meeting open at 5:30 pm.

2.1. Attendance

Cr Adin Lang	Presiding Member/City Ward
Cr Frank Mofflin	Deputy Presiding Member/Hilton Ward
Cr Hannah Fitzhardinge	Beaconsfield Ward
Cr Andrew Sullivan	South Ward (*observing only*)
Mr Glen Dougall	Director City Business
Mr Graham Tattersall	Director Infrastructure
Ms Narelle French	Manager Finance
Mr Kevin Porter	Procurement Team Leader
Ms Emma Aiberti	Revenue Team Leader
Ms Alexandra Peach	Meeting Support Officer

2.2. Apologies

Dr Brad Pettitt	Mayor
Cr Doug Thompson	North Ward
Mr Phillip Draber	External Advisor
Mr Philip St John	Chief Executive Officer

2.3. Leave of absence

Nil

3. Disclosures of interests

Nil

4. Deputations

4.1 Special deputations

Nil

4.2 Presentations

Nil

5. Confirmation of minutes

COMMITTEE DECISION

Moved: Cr Adin Lang **Seconded: Cr Hannah Fitzhardinge**

That the minutes of the Audit and Risk Management Committee meeting dated 13 January 2020 be confirmed as a true and accurate record.

Carried: 3/0
Cr Adin Lang, Cr Frank Mofflin, Cr Hannah Fitzhardinge

6. Elected member communication

Nil

7. Reports and recommendations

ARMC2002-1 REVIEW OF CERTAIN SYSTEMS AND PROCEDURES - INTERNAL CONTROL BY THE CHIEF EXECUTIVE OFFICER REQUIRED BY REGULATION 17 OF THE LOCAL GOVERNMENT (AUDIT) REGULATIONS

Meeting date:	11 February 2020
Responsible officer:	Manager Governance
Decision making authority:	Council
Agenda attachments:	1. Civic Legal systems and procedures review, internal control - Final Report
Additional information:	Nil

SUMMARY

The purpose of this report is to recommend that Council receive the final report as shown in attachment 1 provided by Civic Legal, relating to the review of certain systems and procedures in the area of internal control by the Chief Executive Officer required by Regulation 17 of the *Local Government (Audit) Regulations 1996*.

BACKGROUND

The City of Fremantle (the City) has engaged Civic Legal to undertake an extended "Regulation 17" (reg 17) review of the City's systems and procedures in relation to risk management, internal control and legislative compliance. The last reg 17 review was completed in February 2019 and that review addressed all three categories in the same review.

This review currently underway will review one of the three categories listed above each year, for three consecutive years, starting with internal control. Internal controls include systems and procedures which improve the efficiency the City and mitigate risk.

This review has been undertaken with the intended outcome of assisting the Chief Executive Officer to meet their statutory obligations described in regulation 17.

FINANCIAL IMPLICATIONS

There are no financial implications identified as a result of this report.

LEGAL IMPLICATIONS

In accordance with the *Local Government (Audit) Regulations 1996 – Reg 17*:

1. The Chief Executive Officer is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

a) Risk management
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 Chief Executive Officer is to report to the audit committee the results of that review.

CONSULTATION

No external consultation was undertaken.

OFFICER COMMENT

The reason that this format for conducting this review over an extended period of time has been chosen is to allow a more in depth review of these areas. It is anticipated that this closer look at the City's systems and procedures in relation to risk management, internal control and legislative compliance, will allow a better understanding of how the City can better achieve 'best practise' principals across the organisation.

Following the final report being provided to the City, City officers who were interviewed by Civic Legal were given the opportunity to provided comments where necessary in response to the 'suggested actions' outlined within the report, these comments are included in the "table of results" as attached to this report.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

OFFICER'S RECOMMENDATION

Moved: Cr Adin Lang **Seconded: Cr Frank Mofflin**

Council receive the final report as shown in attachment 1, as provided by Civic Legal, relating to the review of certain systems and procedures in the area of internal control by the Chief Executive Officer required by Regulation 17 of the *Local Government (Audit) Regulations 1996.*

AMENDMENT

Moved: Cr Frank Mofflin **Seconded: Cr Hannah Fitzhardinge**

To add a part 2 to the officers recommendation to read as follows:

2. **Request a report be brought back to the next Audit and Risk Management Committee meeting, outlining the City's process to address findings from audits and the actions which have been developed to address the 'Suggested Actions' from the 'Systems and Procedure Review - Internal Control' including accountability for completion and planned completion date.**

Amendment carried: 3/0
Cr Adin Lang, Cr Frank Mofflin, Cr Hannah Fitzhardinge

Reason for change:
To provide transparency to the Committee of the process to address suggested actions and that these actions have been evaluated and implementation has been agreed. A system is required to ensure actions are addressed and that these are not repeated in future reviews.

COMMITTEE RECOMMENDATION ITEM ARMC2002-1
(Alternative recommendation)

Council:
1. **Receive the final report as shown in attachment 1, as provided by Civic Legal, relating to the review of certain systems and procedures in the area of internal control by the Chief Executive Officer required by Regulation 17 of the Local Government (Audit) Regulations 1996.**
2. ***Request a report be brought back to the next Audit and Risk Management Committee meeting, outlining the City's process to address findings from audits and the actions which have been developed to address the 'Suggested Actions' from the 'Systems and Procedure Review - Internal Control' including accountability for completion and planned completion date.***

Carried: 3/0
Cr Adin Lang, Cr Frank Mofflin, Cr Hannah Fitzhardinge

ARMC2002-2 ADOPTION OF THE 2019 COMPLIANCE AUDIT RETURN

Meeting date: 11 February 2020
Responsible officer: Manager Governance
Decision making authority: Council
Agenda attachments: 1. 2019 Compliance Audit Return
Additional information: 1. Consultant Summary Report
2. Consultant Confidential Report – (*Confidential attachment under separate cover*)

SUMMARY

The 2019 Compliance Audit Return (CAR) has now been completed by an independent auditor and is presented to Council for adoption in accordance with the requirements set by the Department of Local Government, Sport and Cultural Industries.

It is recommended that Council adopt the 2019 Compliance Audit Return as shown in attachment 1, and note it will be submitted to the Minister for Local Government.

BACKGROUND

In accordance with the *Local Government Act 1995* (the Act), each local government authority is required to carry out a compliance audit for the period 1 January to 31 December of each year as instructed by the Department of Local Government, Sport and Cultural Industries.

The City appointed David Baker as an independent consultant to undertake the 2019 CAR. Mr Baker has provided a confidential in depth review report and a summary of findings report. Both of these reports have been made available for elected member information for consideration of this report.

The 2019 CAR contains 100 compulsory questions relating to the local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk". Questions are generally asked in a positive phrase where a 'yes' response indicates compliance and a 'no' response indicates non-compliance. In some cases an 'NA' response may be recorded which indicates that the question did not apply to the City during the return period.

Under section 14 (3A) of the *Local Government (Audit) Regulations 1996*, the Audit and Risk Management Committee is required to review the compliance audit return and make recommendations to Council on any action required in response to the audit findings. The Council are required to adopt the CAR prior to it being submitted to the Minister for Local Government before the deadline of 31 March 2019.

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

In accordance with Section 7.13(1)(i) of the *Local Government Act 1995* and Regulations 13, 14 and 15 of the *Local Government (Audit) Regulations 1996*, local governments are required to carry out an audit of compliance for the period 1 January to 31 December each year.

After carrying out the compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.

Following preparation of the return a local government is to:

a. Review the audit report at its audit committee,
b. Present the audit report to council,
c. Adopt the audit report, and
d. Record the audit report in the minutes of that meeting.

The return is to be signed by the Mayor and Chief Executive Officer before it is submitted to the Department of Local Government, Sport and Cultural Industries by the 31 March following the period to which the return relates.

CONSULTATION

In order to provide an appropriate response to each question, the auditor consulted with a variety of officers within the City seeking information and evidence in relation to the questions asked in the return.

OFFICER COMMENT

The City has achieved a 99% compliance rating for the period covered by the 2019 CAR, which is the same as the 2018 CAR compliance rating.

In response to the 100 compulsory questions contained in the CAR, the auditor has examined the City's documents and records relevant to these questions and recorded responses based on these findings. The auditor identified a minor issue of non-compliance during the course of the review, which is outlined in the table below:

Question	Auditors findings
Section 7: Integrated Planning and Reporting Question 7:Has the local government developed a Workforce Plan	The City has not adopted a Workforce Plan

Officer response
While the City does not have a standalone workforce plan it has included comment about workforce planning within its corporate business plan. This is in accordance with the legislation as Regulation 19DA(3) of the *Local Government (Administration Regulations) 1996* does not require a standalone workforce plan.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

COMMITTEE RECOMMENDATION ITEM ARMC2002-2

Moved: Cr Adin Lang **Seconded: Cr Hannah Fitzhardinge**

Council adopt the 2019 Compliance Audit Return as shown in attachment 1, and note it will be submitted to the Minister for Local Government.

Carried: 3/0
Cr Adin Lang, Cr Frank Mofflin, Cr Hannah Fitzhardinge

ARMC2002-3 PURCHASING POLICY EXEMPTIONS NOVEMBER 2019 – JANUARY 2020

Meeting date:	11 February 2020
Responsible officer:	Manager Finance
Decision making authority:	Council
Agenda attachments:	Nil
Additional information:	1. Purchasing Policy Exemption details November 2019 to January 2020 *(Confidential attachment under separate cover)*

SUMMARY

The purpose of this report is to inform Council of purchases made by the City that were exempt to the requirements of the Purchasing policy, during the period November 2019 to January 2020.

This report recommends that Council receive the Purchasing Policy Exemptions report for November 2019, December 2019 and January 2020.

BACKGROUND

At the Ordinary Council Meeting of 27 February 2019, Council adopted a new purchasing policy. The policy contains a list of tender exemptions (exempt under Regulation 11(2) of the *Local Government (Functions and General) Regulations 1996)* and policy exemptions. Under this policy all exemptions used by the City are to be reported to the Audit and Risk Management committee.

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

Nil

CONSULTATION

Nil

OFFICER COMMENT

November 2019
The total value of exemptions from the City of Fremantle Purchasing Policy is $61,560.00 for the month of November 2019.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consultancy / Legal Services Exemptions	$44,260.00
Artists Exemptions	$17,300.00
Total	**$61,560.00**

Details regarding individual exemptions can be found in the confidential attachment.

The process for requesting Artist exemptions was amended to require exemptions before contracts or Purchase orders are awarded. This has resulted in artistic fees required for the Carols by Candlelight event and some Sunday Music events at FAC being agreed and paid for in advance. All costs were budgeted and approved at the 26 June 2019 Council meeting.

December 2019

The total value of exemptions used under the City of Fremantle Purchasing Policy is $6,000.00 for the month of December 2019.

The value of exemptions by category is:

Exemption Category	Value
Artists Exemptions	$6,000.00
Total	**$6,000.00**

Details regarding individual exemptions can be found in the confidential attachment.

The process for requesting Artist exemptions was amended to require exemptions before contracts or Purchase orders are awarded. This has resulted in artistic fees required for the Bricolage exhibition and Deadly Funny event at FAC being agreed and paid for in advance. All costs were budgeted and approved at the 26 June 2019 Council meeting.

January 2020

The total value of exemptions used under the City of Fremantle Purchasing Policy is $7,100.00 for the month of January 2020.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consultancy / Legal Services Exemptions	$2,100.00
Artists Exemptions	$5,000.00
Total	**$7,100.00**

Details regarding individual exemptions can be found in the confidential attachment.

The process for requesting Artist exemptions was amended to require exemptions before contracts or Purchase orders are awarded. This has resulted in artistic fees required for the 2020 Heritage Festival programme being agreed and paid for in advance. All costs were budgeted and approved at the 26 June 2019 Council meeting.

VOTING AND OTHER SPECIAL REQUIREMENTS

Information only no decision required

COMMITTEE RECOMMENDATION ITEM ARMC2002-3

Moved: Cr Adin Lang **Seconded: Cr Frank Mofflin**

Council receive the Purchasing Policy Exemptions report for November 2019, December 2019 and January 2020.

Carried: 3/0
Cr Adin Lang, Cr Frank Mofflin, Cr Hannah Fitzhardinge

ARMC2002-4 TENDERS AWARDED UNDER DELEGATION NOVEMBER 2019 TO JANUARY 2020

Meeting date: 11 February 2020
Responsible officer: Manager Finance
Decision making authority: Committee *(reporting requirement of the CEO's Delegation 2.11)*
Agenda attachments: Nil
Additional information: Nil

SUMMARY

The purpose of this report is to summarise tenders awarded under delegation by various delegated Officers and Committee's, during the period November 2019 to January 2020.

This report recommends that Council receive the report on tenders awarded under delegation for November 2019 to January 2020.

BACKGROUND

Tenders awarded by the City are awarded under the following delegations, approved at Council on 26 June 2019:

Delegated Authority	Amount of Delegation
Finance, Policy Operations and Legislation Committee (FPOL)	$500,000+ (if within budget)
CEO	Up to $500,000
Directors	Up to $500,000

Items identified under 'Officer Comment' of this report detail tenders awarded under delegation.

FINANCIAL IMPLICATIONS

All tenders were awarded within budget approved at Council on 26 June 2019.

LEGAL IMPLICATIONS

All tenders awarded met the requirements of Regulations 11A – 24AJ of the Local Government (Functions and General) Regulations 1996 and S3.57 of the *Local Government Act 1995*.

Under delegation 2.11 Expressions of interest and tenders or the City's Delegated Authority Register, the Chief Executive Officer is required to report the use of this delegation to the Audit and Risk Management Committee.

CONSULTATION

Nil

OFFICER COMMENT

Below is a list of Tenders awarded under delegation between November 2019 and January 2020.

November 2019

Nil

December 2019

Tender Description	Awarded By	Contractor(s)	Contract Value
FCC548/19 Graffiti Removal Services	Director Delegation (3 December 2019)	Kleenit Pty Ltd	$187,207 (ex GST)
FCC549/19 Green and Bulk Waste Verge Collection	Council (13 December 2019)	Groote Family Trust T/As Steann Pty Ltd	$564,705 (ex GST)

January 2020

Nil

VOTING AND OTHER SPECIAL REQUIREMENTS

Information only no decision required

COMMITTEE RECOMMENDATION ITEM ARMC2002-4

Moved: Cr Adin Lang **Seconded: Cr Hannah Fitzhardinge**

Council receive the report on tenders awarded under delegation for November 2019 to January 2020.

Carried: 3/0
Cr Adin Lang, Cr Frank Mofflin, Cr Hannah Fitzhardinge

ARMC2002-5 OVERDUE DEBTORS REPORT AS AT 31 DECEMBER 2019

Meeting date: 11 February 2020
Responsible officer: Manager Finance
Decision making authority: Council
Agenda attachments: Nil
Additional information: 1. Summary of Overdue Debts above Threshold *(Confidential attachment under separate cover)*

SUMMARY

This debtors report with a confidential attachment is provided to the Audit and Risk Management Committee together with details of overdue debts that exceed a threshold value of $10,000.

This report recommends that Council receive the overdue debtors report and acknowledge the overdue debts exceeding ninety (90) days with the combined value exceeding $10,000 as at 31 December 2019.

BACKGROUND

The report provides details to the Audit and Risk Management Committee on overdue debtors. The following information is provided on a quarterly basis:

- The amount of total debtors outstanding for the period aged from current to over 90 days overdue with a comparison to the same period for the previous year.
- The value of debt that is in excess of ninety (90) days overdue and the combined value of those debt(s) which exceed $10,000.
- All records of the uses of delegated authority, to waive or write off debts valued at $1,000 or above per debtor, must be reported to the audit and risk management committee.
- A confidential report containing the individual debtor information in relation to the outstanding debtors exceeding 90 days with a combined value exceeding $10,000 with comments, background and a comparison to the previous quarters report.
- Debtor day ratio - the average number of days required for the City to receive payment from its customers for invoices issued to them.

FINANCIAL IMPLICATIONS

It is a requirement that annual financial statements include an allowance for impairment of receivables owed to the local government to be recognised as a cost to the budget in the year in which the impairment is made.

As at year ending 30 June 2019 an amount of $144,907 was held as an allowance for impairment of receivables. As at the 31 December 2019 the current allowance held as impairment is $106,046.

During this financial year the following reportable write-offs and waivers have been processed against this account:

Total Write-offs	$38,861 + GST
Total Waivers	$NIL

Since the last report, no occurrence of delegated authority to waive or write off debts valued at $1,000 or above per debtor by officers has occurred. Further, no funds have been identified for potential write-off. Officers continue to engage with debtors to secure payment arrangements to clear the debt.

Summary of Sundry Debtors Debts Written-off

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
2092379	The Event Agency	4,367	Waste Management	Director Infrastructure and Project Delivery
2092585	Fly By Night Musicians Club Ltd	15,850	Economic Development	Council ARMC1908-1
	TOTAL	**20,217**		

Summary of Rates Debtors Debts Written-off

PID No.	Name	Amount	Business Unit	Delegated Officer or Council
260	Fly By Night Musicians Club Ltd	16,419	Economic Development	Council ARMC1908-1
1061	Fly By Night Musicians Club Ltd	2,030	Economic Development	Council ARMC1908-1
	TOTAL	**18,449**		

Summary of Sundry Debtors Debts Waived

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
	TOTAL	**NIL**		

LEGAL IMPLICATIONS

Section 6.12 (1) (c) of the *Local Government Act 1995* provides authority for the Council to write off outstanding monies.

In accordance with section 5.42 and 5.44 of the *Local Government Act 1995* the following delegated authority applies:

- The Chief Executive Officer has delegated authority to write off debts (not including rates or infringement) considered unrecoverable up to $100,000 per account where in the opinion of the Chief Executive Officer all other reasonable avenues of recovery have been exhausted.
- Directors and Managers have various sub-delegated authority to write off debts (not including rates or infringement) considered unrecoverable up to $20,000 per account where in the opinion of the Director or Manager all other reasonable avenues of recovery have been exhausted.

All records of the uses of this delegated authority, to waive or write off debts valued at $1,000 or above per debtor, must be reported to the Audit and Risk Management Committee.

Any amount in excess of $100,000 is to be written off by Council resolution. A council resolution authorising the write off of any bad debt does not prevent Council from reinstating the debt if the future circumstances change and the debt becomes collectable.

CONSULTATION

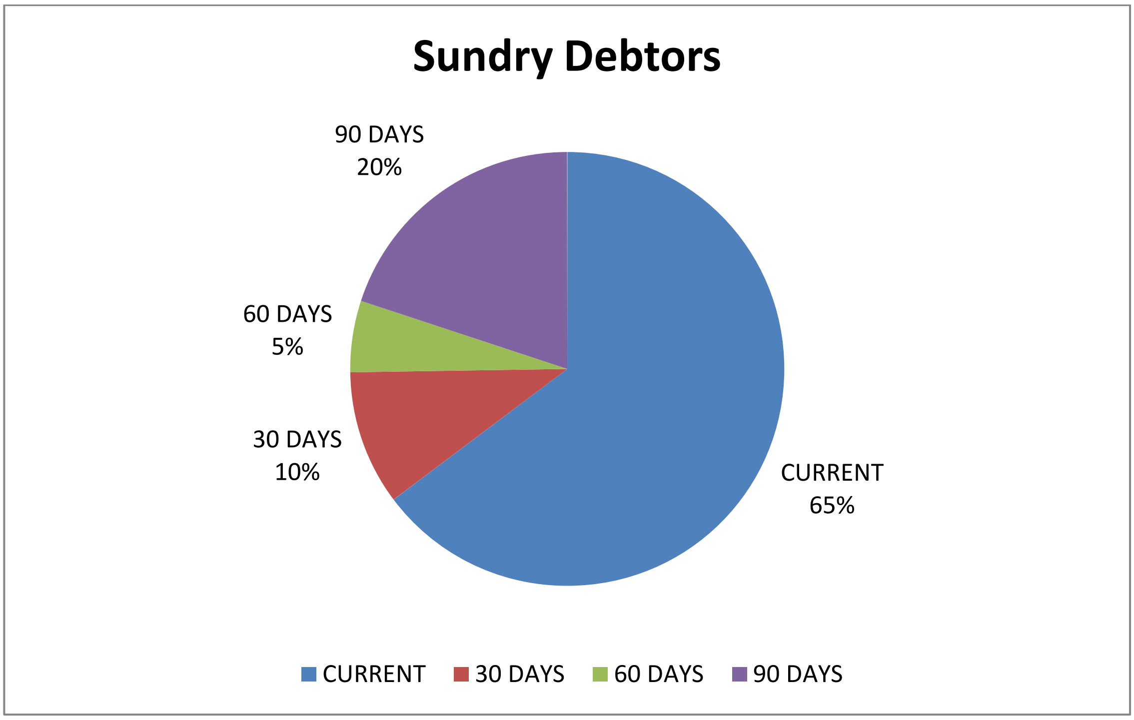
Nil

OFFICER COMMENT

The total of debtors outstanding as at 31 December 2019 is $698,530. A breakdown of aged debt for the current period compared to prior year for the same period is tabled below.

Period Ending March	Current	30 Days	60 Days	90+ Days	Total
July 19 – December 19	65%	10%	5%	20%	100%
	452,171	70,056	37,144	139,159	698,530
July 18 – December 18	661,636	259,315	60,700	166,851	1,148,501

Of the total debt balance, the amount outstanding for 90+ days is $139,159 or 20%. Below is a graph of the aged debt balances as at 31 December 2019.



Compared to the report of overdue debtors as at 30 September 2019, presented to Audit and Risk Management Committee at the 12 November 2019 meeting, the total value of outstanding debtors has decreased by $237k.

Outstanding debt over 90 days has decreased from $150k at the end of the previous quarter to $139k. The number of overdue debtors above reporting threshold is 3 with a total value of $111,918.

In accordance with delegated authority, any debts over $100,000 will be submitted to Audit and Risk Management Committee for approval and all recorded use of delegated authority by Chief Executive Officer, Directors and Managers will be reported to Audit and Risk Management Committee.

The confidential attachment contains debtor information in relation to the $111,918 of outstanding debtors exceeding 90 days with a combined value exceeding $10,000 with comments and background.

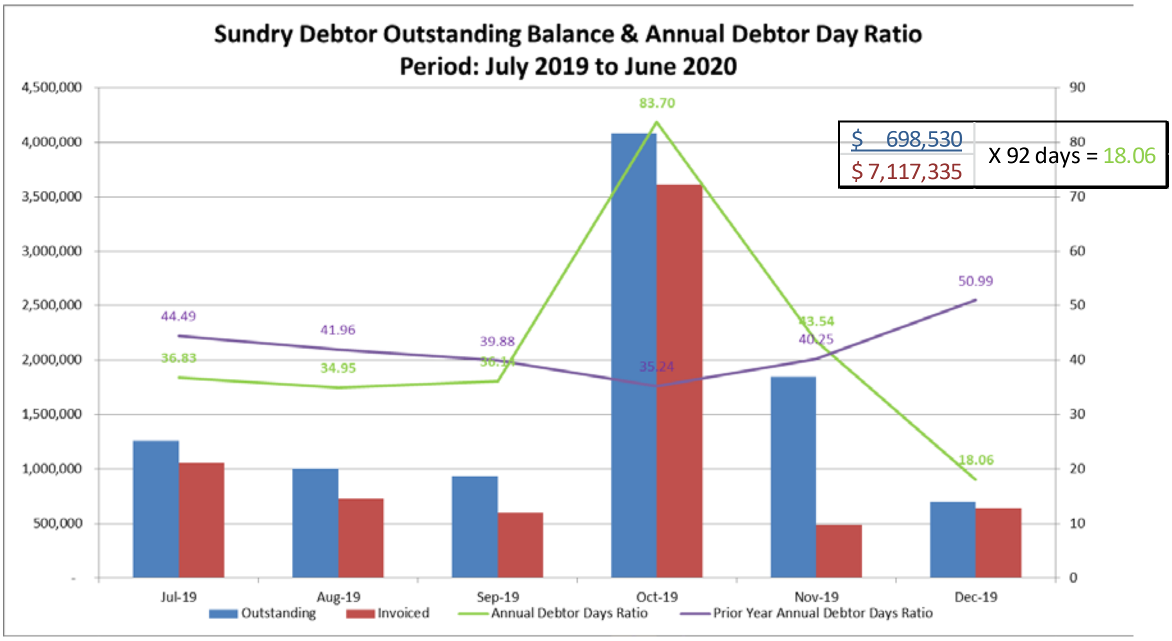
Debtors Outstanding

The debtor day ratio measures how quickly cash is being collected from debtors. The longer it takes for an organisation to collect, the greater the number of debtor days.

The calculation of the ratio considers the total amount outstanding at the end of the period over the total amount invoiced to that period for the financial year by the total number of days from 1 July to the end of the period. See calculation in graph below.

Prior financial year information is presented together with the current financial year as a comparative to demonstrate the City’s ability to collect funds owed to the City when due.

At 1 July 2019, $318,284 of invoices raised in 2018/19 was outstanding resulting in outstanding debt exceeding the amount invoiced during July 2019.



At reporting date, the debtor day ratio was 18.06 a decrease from the prior reporting period. Of outstanding debt, 65% related to current invoices that were not yet due.

Key Performance Indicators

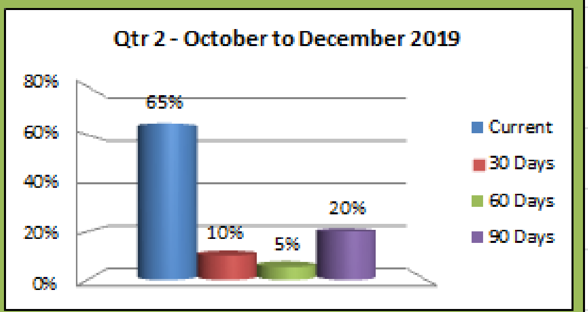
At its November meeting, the Audit Risk Management Committee recommended a performance measure be included to provide a reporting date 'snap shot' of performance against agreed indicators.

Internal debt management procedures have been reviewed resulting in Officers engaging with debtors earlier where an amount is considered to have an increased risk of default. Upon review of debt levels over prior financial years, Officers consider reasonable and recommend the following targets against which to report.

Key Performance Targets				
Current	30 Days	60 Days	90 Days	Total
80%+	<= 10%	<=5%	<=5%	100%

Qtr 2 - October to December 2019

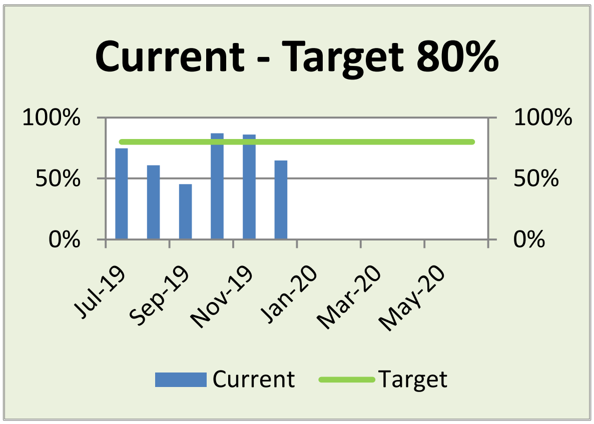
Aged Debt Category	Current	30 Days	60 Days	90 Days
Target	80%	10%	5%	5%
Value	452,171	70,056	37,144	139,159
Percentage	65.00%	10.00%	5.00%	20.00%
Performance				

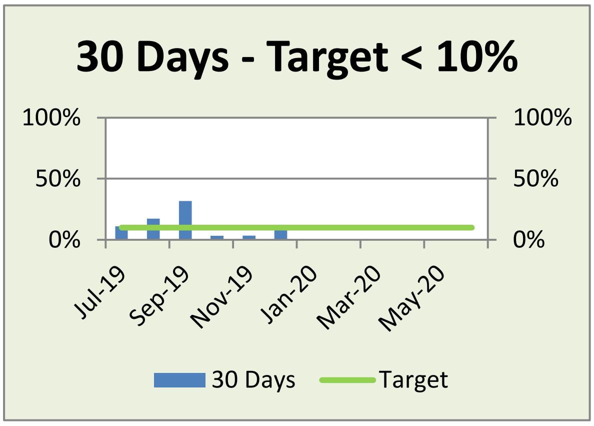


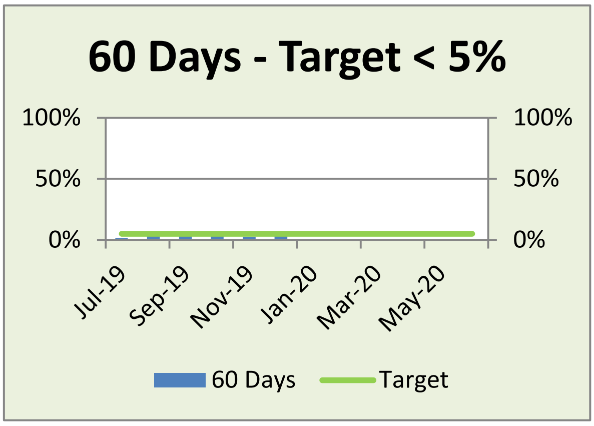
Target achieved | Target exceeded

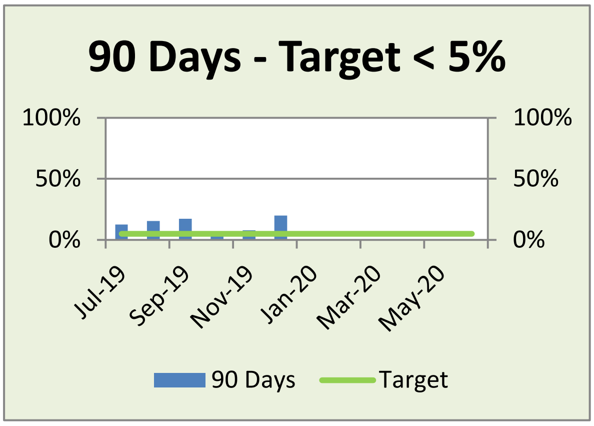
Of total overdue debt, Commercial Properties account for 24% (165k). Two debtors account for a combined $27k of debt in excess of 90 days and a third Commercial Property debtor has invoices overdue for more than 90 days amounting to $80k. Payment arrangements have been agreed and further details are included in the confidential attachment.

The following charts demonstrate performance against the recommended target for each aged debt category by period to reporting date for this financial year.









VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

COMMITTEE RECOMMENDATION ITEM ARMC2002-5

Moved: Cr Adin Lang **Seconded: Cr Frank Mofflin**

Council receive the overdue debtors report and acknowledge the overdue debts exceeding ninety (90) days with the combined value exceeding $10,000 as at 31 December 2019.

Carried: 3/0
Cr Adin Lang, Cr Frank Mofflin, Cr Hannah Fitzhardinge

8. Motions of which previous notice has been given

A member may raise at a meeting such business of the City as they consider appropriate, in the form of a motion of which notice has been given to the CEO.

Nil

9. Urgent business

In cases of extreme urgency or other special circumstances, matters may, on a motion that is carried by the meeting, be raised without notice and decided by the meeting.

Nil

10. Late items

In cases where information is received after the finalisation of an minutes, matters may be raised and decided by the meeting. A written report will be provided for late items.

Nil

11. Confidential business

This committee is closed to the public. A prior motion is not required to discuss confidential items.

ARMC2002-6 EMERGING RISKS REPORT – FEBRUARY 2020

Meeting date:	11 February 2020
Responsible officer:	Director City Business
Decision making authority:	Council
Agenda attachments:	Nil
Additional information:	Nil

REASON FOR CONFIDENTIALITY

This report is **CONFIDENTIAL** in accordance with Section 5.23(2) of the *Local Government Act 1995* which permits the meeting to be closed to the public for business relating to the following:

(d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting

12. Closure

The Presiding Member declared the meeting closed at 6:11 pm.