



# Agenda

## Audit and Risk Management Committee

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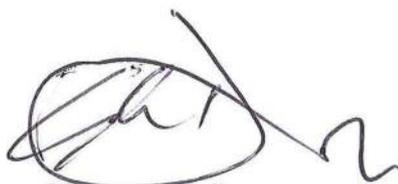
Tuesday, 8 May 2018, 5.30 pm

**CITY OF FREMANTLE**

**NOTICE OF AN AUDIT AND RISK MANAGEMENT COMMITTEE MEETING**

Elected Members

An Audit and Risk Management Committee meeting of the City of Fremantle will be held on **Tuesday, 8 May 2018** in the Administration Building, located at the Fremantle Oval, 70 Parry Street, Fremantle commencing at 5.30 pm.

A handwritten signature in black ink, appearing to read 'Glen Dougall', with a large, stylized flourish extending to the right.

Glen Dougall  
**Director City Business**

3 May 2018

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**CITY OF FREMANTLE**

**Audit and Risk Management Committee**

**Agenda**

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**1. Official opening, welcome and acknowledgement**

We would like to acknowledge this land that we meet on today is the traditional lands of the Nyoongar people and that we respect their spiritual relationship with their country. We also acknowledge the Whadjuk people as the custodians of the greater Walyalup area and that their cultural and heritage beliefs are still important to the living Whadjuk people today.

**2. Attendance, apologies and leaves of absence**

There are no previously received apologies or approved leave of absence.

**3. Disclosures of interests**

Elected members must disclose any interests that may affect their decision-making. They may do this in a written notice given to the CEO; or at the meeting.

**4. Deputations**

**4.1 Special deputations**

A special deputation may be made to the meeting in accordance with the City of Fremantle Meeting Procedures Policy 2018.

**4.2 Presentations**

Elected members and members of the public may make presentations to the meeting in accordance with the City of Fremantle Meeting Procedures Policy 2018.

**5. Confirmation of minutes**

**Officer's recommendation**

**That the minutes of the Audit and Risk Management Committee meeting dated 12 February 2018 be confirmed as a true and accurate record.**

**6. Announcements by presiding member**

The presiding member may make announcements to the meeting

**7. Questions or personal explanations by members**

Elected members may ask questions or make personal explanations on matters not included on the agenda.

## **8. Reports and recommendations**

### **ARMC1805-1 OVERDUE DEBTORS REPORT**

<b>Meeting Date:</b>	8 May 2018
<b>Responsible Officer:</b>	Finance Manager
<b>Decision Making Authority:</b>	Council
<b>Agenda Attachments:</b>	Summary of Overdue Debts above Threshold (Confidential under separate cover)

#### **SUMMARY**

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

**This report recommends that Council note \$229,274.86 of overdue debts that were overdue in excess of ninety (90) days and the combined value those debt(s) exceed \$10,000 as at 31 March 2018.**

#### **BACKGROUND**

The report is part of a framework for the write off of bad debts that was endorsed by the Audit and Risk Management Committee on 16 December 2014 and referred to Council who endorsed the framework on 28 January 2015 on how it handles the write off of bad and doubtful debts:-

- a. That bi-annually (September and March) a report with a confidential attachment in an agreed format is submitted to the Strategic and General Service's committee (current Finance, Policy, Operations and Legislation Committee) to receive under delegated details of overdue debts that exceed a threshold value.
- b. That the threshold value for items to be reported for each debtor are debts overdue in excess of ninety (90) days and the combined value those debt(s) exceed \$10,000. Rates debtors that remain a charge against the property are excluded from the requirement to report.
- c. Two months after (i.e., November and May) the report in (a) has been submitted an item be submitted to Council via Strategic and General Services for approval to write off those debts that are considered bad or doubtful.
- d. That once a recommendation is received from Department of Attorney General to write off monies referred to the Fines Enforcement Registry (FER) then an item is submitted to council within two months of the receipt of the recommendation.

#### **FINANCIAL IMPLICATIONS**

##### **Cost of Credit Management**

If an organisation does not have good credit management then it will have negative budgetary impacts as cash will not be collected for the sales of goods and services made.

It should be noted that even with good credit management, bad debts can still be incurred, but they normally arise within an environment where the risk and reward factors have been balanced to try and achieve the best outcome for the organisation.

It is a requirement for completing annual financial statements that any potential bad debts are provisioned for and that is a cost to the budget in the year in which the provision is made.

## **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 \$20,000 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 \$10,000 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 must be reported to the audit and risk management committee.

Any amount in excess of \$20,000 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**

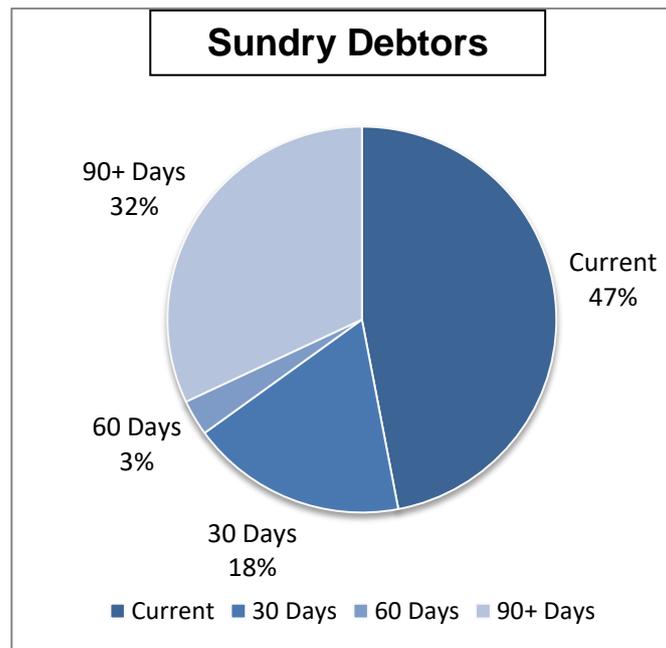
Nil

## **OFFICER COMMENT**

The amount of total debtors outstanding as at 31 March 2018 was \$770,462.56. A breakdown of aged debt for the current period compared to prior year for the same period is tabled below.

Period Ending	Current	30 Days	60 Days	90+ Days	Total
March 2018 - Current	364,917	136,219	20,680	248,646	770,462
March 2017 - Prior	391,261	172,250	42,232	130,206	735,949

Of the total debt balance the amount outstanding for 90+ days is \$248,646 or 32%.



Compared to the report of overdue debts as at 31 December 2017, which was presented at the February 2018 Audit and Risk Management Committee, the total value of outstanding debtors has decreased by \$210k. Outstanding debt over 90 days has increased by \$6k from \$223k in the previous report to \$229k. The numbers of debtors reduce to 7.

Currently \$100,599 has been identified as possible write-off. In accordance with delegated authority any debts over \$20,000 will be submitted to Audit and Risk Management Committee for approval. All uses of delegated authority by Chief Executive Officer, Directors and Managers will be reported to Audit and Risk Management Committee.

Through delegated authority an amount of \$28,696.71 has been written off for the month of April 2018. The table below provides details of the debts written off.

**Summary of Sundry Debtor’s Debts Written Off in April 2018**

Debtor No.	Name	Amount	Business Unit	Delegated Officer
2091927	Wild Twig	\$10,762.90	Commercial Property-2015/16	Chief Executive Officer
2090062	Fremantle Markets Pty Ltd	\$13,379.53	Commercial Property-2009/10 to 2014/15	Chief Executive Officer
2090089	Skyside Holdings	\$13.20	Commercial Property-2016/17	Director City Business
2092511	Deborah McKendrick	\$119.97	Commercial Property-2016/17	Director City Business
2091788	Fremantle Worker’s Club	\$1,262.12	Commercial Property-2016/17 & 2017/18	Director City Business
2091803	Hazel Orme Kindergarten	\$3,134.29	Commercial Property-2016/17 & 2017/18	Director City Business
2091935	Sumitra Truslove	\$24.70	Commercial Property-2016/17	Manager Economic Development & Marketing
	<b>TOTAL</b>	<b>\$28,696.71</b>		

The confidential attachment contains comment and background in relation to the debtors listed in the report.

## **VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple Majority Required

## **OFFICER'S RECOMMENDATION**

**Council receive the Overdue Debts above Threshold report with \$229,274.86 of outstanding debtors exceeding 90 days and the combined value exceeding \$10,000 as at 31 March 2018.**

## **ARMC1805-2 AUDIT AND RISK UPDATE FOR ASSETS**

**Meeting Date:** 8 May 2018  
**Responsible Officer:** Manager Asset Management  
**Decision Making Authority:** Audit and Risk Management Committee

### **SUMMARY**

The purpose of this report is to update the Audit and Risk Committee on the City's progress in addressing the issues highlighted in the independent audit report received in March 2017, regarding the City's Corporate Asset Management Planning.

This report recommends that Council receive the update in relation to the City's current position and progress.

### **BACKGROUND**

The City is committed to improving the quality and extent of its asset management information. Officers are progressing a number of initiatives that were identified as requiring improvement through an extended audit report (received March 2017).

Officers have committed to an update program that will run through the course of the 2017/18 financial year. Officers have committed to provide regular updates by way of report to the Audit and Risk committee.

### **FINANCIAL IMPLICATIONS**

Budget provision is included in the 2017/18 budget to carry out the asset assessments / audit program.

### **LEGAL IMPLICATIONS**

Regulation 17 of the *Local Government Act (Audit) Regulations 1996* requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government's systems and procedures in relation to —

- Risk management
- Internal control
- Legislative compliance

### **CONSULTATION**

Nil

## OFFICER COMMENT

Following the findings as detailed in the auditor's report, the City Assets Team is working on improving the City's position with respect to Corporate Asset Management.

Audit programs are progressing on schedule.

### Asset Management – Activity Program

#	Key Action Areas	Activities	Risk	Officer Comment	Target Date
1	Asset Management Policy	AM Policy has been updated and approved by ELT.	Med	The updated Asset Management Policy has been finalised and approved by ELT. It will be submitted to Council for approval.	May 18
2	Asset Management Strategy	Develop an overarching Asset Management Strategy	Med	The Asset Management Strategy will be completed following the individual Asset Management Plans.	June 18
3	Asset Management Plans	AM Plans are to be developed in alignment with the City's asset classes.	Med	Asset audit outputs are to be captured and evaluated to allow accurate development of the CoF's Asset Management Plans. AM Plans are currently anticipated for the following asset classes: <i>Parks &amp; Landscapes</i> <i>Fleet &amp; Plant (completed)</i> <i>Stormwater Drainage</i> <i>Buildings (completed)</i> <i>Transport</i>	<i>May 18</i> <i>Apr 18</i> <i>May 18</i> <i>Feb18</i> <i>May 18</i>
4	Business Process Manuals	Strategic Business Process Manuals are required for all asset classes.	Med	Current guideline documents are being reviewed and updated.	Jun 18
5	Asset Registers	Ensure one definitive Asset register linked to Asset Data ( <i>systems - Tech1 &amp; Assetic</i> ).	Med	The Assets Team and Finance are aligning the registers in Tech1. This includes linkages through correct asset classes and groups for Assetic.	May 18
6	Asset Class Inspections	An annual program of asset inspections is required – aligned with the Asset register.	Med	Asset inspections are programmed for all asset classes over a rolling three year period. All Parks & Landscapes and Transport assets have been audited with data being processed and assessed.	ongoing

7	Inspections & Management of Data	Methodology shall be in place to manage data capture, reporting and actions.	Med	Methodology for data capture, management, reporting and actions has been developed as part of item 6 above. This will continue to be refined and improved as the inspection program progresses in the coming years.	ongoing
8	Data Migration risks	Controls and data alignment processes & guidelines required.	Med	Controls being improved – to include a risk profile and a risk mitigation approach. Inc as part of new QMS and AMPs.	ongoing
9	Contingency Plans	Updated contingency planning and facility operational plans are required.	High	A gap analysis was completed by an external consultant.  Following the gap analysis, the development of a new Business Continuity Plan is underway.	Mar 18  June 18
10	Long term Financial plans require updating with current financial data	The LTFP is required to take account of COF's actual financial position.	Low	Complete. (June 17).  Improved service level plans and AM modelling are progressing to better inform financial planning.	<i>ongoing</i>

The City Assets Team has made progression in the following areas:

- Contingency Plans – The Business Continuity Management Review has been completed by an external consultant in March 18. Following this, officers have begun work on a new Business Continuity Plan. An external consultant has been engaged to assist with this work which will cover an extended scope in line with the previous recommendations of the Audit and Risk Management Committee.
- Buildings – a new Buildings Asset Management Plan has been completed. It includes improved financial modeling based on the most recent valuation.
- Parks and landscapes - Officers have completed the audits on the parks and landscapes assets. The data continues to be processed and will form the basis for the Parks and Landscapes Asset Management Plan. This will drive future maintenance and project proposals.
- Drainage systems - Officers have engaged a contractor for targeted audits. This has also been complimented with and addition in house resource conducting condition audits.

- Transport - Officers have completed audits on the car parks, roundabouts and road furniture. The data is currently being verified and processed. This will be combined with the existing paths and roads data to form the basis for the Transport Asset Management Plan which is expected to be completed for May 2018.

## **VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple Majority Required

## **OFFICER'S RECOMMENDATION**

**Council receive the Officer's update in relation to the City's current position and progress with respect to the City's Asset Management program.**

**ARMC1805-3 INFORMATION REPORT - PURCHASING POLICY EXEMPTIONS  
FEBRUARY MARCH AND APRIL 2018**

**Meeting Date:** 8 May 2018  
**Responsible Officer:** Senior Contracts and Procurement Officer  
**Agenda Attachments:** Approved Exemptions February to April 2018  
 (Confidential under separate cover)

**BACKGROUND**

At the Ordinary Council Meeting of 27 September 2017, 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.

**February 2018**

The total value of exemptions from the City of Fremantle Purchasing Policy is \$35,176.68 for the month of February 2018.

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Specialist Consultant	\$1,200.00
Artists Exemptions	\$33,976.68
<b>Total</b>	<b>\$35,176.68</b>

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

**March 2018**

The total value of exemptions used under the City of Fremantle Purchasing Policy is \$26,057.50 for the month of March 2018.

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Specialist Consultant	\$10,520.00
Artists Exemptions	\$15,537.50
<b>Total</b>	<b>\$26,057.50</b>

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

**April 2018**

The total value of exemptions used under the City of Fremantle Purchasing Policy is \$73,861.05 for the month of April 2018.

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Specialist Consultant	\$3,878.05
Artists Exemptions	\$69,983.00
<b>Total</b>	<b>\$73,861.05</b>

The process for requesting Artist exemptions was amended to require exemptions before contracts or Purchase orders are awarded. This has resulted in the artists required for the Revealed, being agreed in April 2018, at a cost of \$67,983. The costs for Revealed are budgeted and funded by the State Government through the Department of Local Government, Sport and Cultural Industries.

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

#### **OFFICER'S RECOMMENDATION**

**Council receive the purchasing policy exemptions information report for February 2018, March 2018 and April 2018.**

## ARMC1805-4 CEO PERFORMANCE REVIEW COMMITTEE REPORT

**Meeting Date:** 8 May 2018  
**Responsible Officer:** Director People and Culture  
**Decision Making Authority:** Council  
**Agenda Attachments:** CEO KPI's and 360 survey areas

### SUMMARY

**The CEO Performance Review Committee recommends approval by the Audit and Risk Committee of the recommended approach to the assessment and management of the Chief Executive's performance each year.**

**Council will be required to consider and approve the assessment of the Chief Executive's achievement of KPIs in 2017 and objectives and KPIs for 2018.**

### BACKGROUND

Council at its May 2017 meeting resolved to appoint a CEO performance review committee.

The Objectives of the Performance Review Committee is to:

- Advise and recommend a framework to the Audit and Risk Management Committee.
- Appoint an independent facilitator to assist in the process.
- Develop and review KPI's to be achieved by the CEO.
- Conduct an annual performance review of the CEO on behalf of Council.
- Undertake a quarterly informal review of CEO's performance.
- Review the CEO's remuneration package.

CEO Performance Indicators be based on:

- Indicators relating to statutory obligations in Local Government Act.
- Indicators reflecting progress in key priorities of the Community Strategic Plan.
- Indicators relating to financial and customer service performance of the City.
- Indicators relating to specific outcomes desired by the Council, reviewed annually.
- Indicators to reflect the CEO's personal performance and responsiveness to Council.

In the December 2017 round of meetings the Council resolved to:

1. Note the minutes of the CEO committee meetings.
2. Appoint Diana Forsyth as the facilitator appointed to assist the committee in the setting and measurement of CEO performance measures.
3. Authorise the exchange of letters in relation to the CEO's contract.

## **FINANCIAL IMPLICATIONS**

This information is used to negotiate pay increases for the CEO.

## **LEGAL IMPLICATIONS**

Council as the employer of the CEO must provide measures and feedback to the CEO in line with his employment Contract inclusive of:

- **June 2019** – 12 months pre CEO contract expiry – preliminary advice provided to CEO on continuation / discontinuation of contract.
- **Dec 2019** – date of statutory obligation (6 months' notice) to provide written notice of contractual continuation / discontinuation.

## **CONSULTATION**

Nil

## **OFFICER COMMENT**

The CEO Performance Committee has met 6 times since being appointed and achieved the following:

- Appointed a consultant after a Request for Quote process.
- Exchanged letters with the CEO in relation to his performance from July 2016 – June 2017.
- CEO provided a list of achievements from July 2017 – December 2017 for committee review.
- Developed a process for the setting and measurement of the priorities and KPI's.

The CEO Review Committee has developed a process whereby the Chief Executive Officer and Committee develop a list of Priorities and Key Performance Indicators each year for use in measuring and assessing the performance of the Chief Executive as follows:

### **June 2018**

- Quarterly informal review using draft KPI data – make recommendations for change.
- Strategic Initiatives list to be reviewed.
- Conduct a 360 review survey.
- Conduct review of remuneration every second year (starting in July/August 2018 to enable the use of 17/18 data)

### **September 2018**

- Quarterly informal review.
- Review results of 360 review and action plan developed by CEO to address findings.

### **December 2018**

- Quarterly informal review.

### **March 2019**

- Quarterly informal review and determine priorities for 18/19 year and KPIs.

### **June 2019**

- Formal review of achievement of KPIs for 2018/19.

The following informal KPIs had been set for the CEO by the Mayor for 2017:

- Complete a review of Council meeting and Committee cycle, Leadership Group and Informal Elected Member meetings.
- Review terms of reference / operation for SPD Committee based around the strategic issues associated with the following key projects (Kings square, Fremantle Oval, Freight link, Port future and privatisation, Point St, Beaconsfield west, New Depot site development, Knutsford street redevelopment, Strategic Community plan review and associated corporate documents, boundary restructure issues).
- Implement agenda, attachment and amendment quality control process.
- Identify priorities for critical review of process and service for top 10 Council enquires.
- Preparation and adoption of a comprehensive plan to ensure embedding of environmental sustainability within the City processes and culture.
- Following the Extraordinary Election, conduct an efficient review of our overall strategy and have a discussion about priorities in the near term (i.e. 12-18 months). This would involve an offsite strategy day, allowing refocus on strategy and implementation, as well as team building with new EMs and new Senior Execs.

The committee agreed that the CEO had achieved these informal KPIs, with the following areas requiring ongoing work in 2018:

- Embedding sustainability in the organisation.
- Review of standing orders.
- Advocacy Plan.
- Offsite strategy day.

The Committee determined that the following should be viewed as priorities in 2018: King's Square implementation.

- Improvement, clarity and transparency of the budget process for 2018/9 budget.
- Provide clarity and transparency to the City's strategic finances.
- Strategic community plan review and 'clean up' of strategic documents.
- Waste services review.
- Council's employment Policy in planning for next EBA (due mid 2019).
- Corporate reporting framework for adoption prior to end financial year – simple and robust measures around performance, key projects, environmental sustainability and customer service.

To provide clarity, the Committee defined KPIs for the period to June 30, to guide CEO activity.

CEO KPIs to 30 June 2018:

- Establish a survey that measures customer satisfaction.
- Adopt a clear corporate planning framework and organise a corporate planning session to review priorities.
- Advance the city's interests in relation to major projects via effective advocacy and project management on Kings Square, Victoria/South Quay and the Oval/Hospital Redevelopment.
- Final budget result plus or minus 5% without reasonable explanation.
- Elected Members feel they have been given sufficient information to make informed, timely decisions.
- Introduce a pulse survey to measure organisational culture during change management process.
- Put in place agreed measurable indicators for our environmental performance.
- Facilitate transparent budget planning that identifies realistic allowances for capital, maintenance, reserves and operations.
- Local Government 95% compliance return, Annual Compliance audit passed with no more than 2 qualifications.

Further long term KPIs are defined as at attachment 1.

## **VOTING AND OTHER SPECIAL REQUIREMENTS**

Council

## **OFFICER'S RECOMMENDATION**

**Council;**

- 1. Approve the recommended approach to the assessment and management of the Chief Executive's performance each year.**
- 2. Receive and approve the assessment of the Chief Executive's achievement of KPIs in 2017.**
- 3. Approve the objectives and KPIs for 2018.**
- 4. Authorise the CEO Review Committee to make minor adjustments to KPI's as necessary.**

**9. 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.

**10. 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.

**11. Late items**

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

**12. Confidential business**

Members of the public may be asked to leave the meeting while confidential business is addressed.

**13. Closure**

