



# Agenda

## Audit and Risk Management Committee

Monday 14 August 2023 6.00pm

**Agenda – Audit and Risk Management Committee  
14 August 2023**



**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 **Monday 14 August 2023** in the Seminar Room at the Walyalup Civic Centre, located at 151 High Street, Fremantle commencing at 6.00 pm.

A handwritten signature in black ink, appearing to read "M. Hammond".

Matt Hammond  
**Director City Business**

10 August 2023

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

Ngala kaaditj Whadjuk moort keyen kaadak nidja Walyalup boodja wer djinang Whadjuk kaaditjin wer nyiting boola yeye.

We acknowledge the Whadjuk people as the traditional owners of the greater Fremantle/Walyalup area and we recognise that their cultural and heritage beliefs are still important today.

## **2. Attendance, apologies and leave of absence**

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

## **3. Disclosures of interest by members**

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.

There are no special deputation requests.

### **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.

## **5. Confirmation of minutes**

### **OFFICER'S RECOMMENDATION**

**The Audit and Risk Management Committee confirm the minutes of the Audit and Risk Management Committee meeting dated 19 June 2023.**

## **6. Elected member communication**

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



## **7. Reports and recommendations**

### **ARMC2308-1 PURCHASING POLICY EXEMPTIONS JUNE TO JULY 2023**

<b>Meeting date:</b>	14 August 2023
<b>Responsible officer:</b>	Manager Financial Services
<b>Decision making authority:</b>	Council
<b>Attachments:</b>	1. Purchasing Policy Exemption Detail – June to July 2023

#### **SUMMARY**

**The purpose of this report is to inform Council of purchases made by the City that were exempted from the requirements of the Purchasing Policy, during the period June to July 2023.**

**This report recommends that Council receive the Purchasing Policy Exemptions report for June to July 2023.**

#### **BACKGROUND**

At the Ordinary Meeting of Council of 25 November 2020, Council adopted a new Purchasing Policy. The Purchasing Policy outlines the requirements and decision-making process for each Policy threshold. The Policy also contains a list of tender exemptions (exempt under Regulation 11(2) of the *Local Government (Functions and General) Regulations 1996*) and other Policy exemptions.

Under this policy all exemptions applied by the City are to be reported to the Audit and Risk Management Committee.

#### **FINANCIAL IMPLICATIONS**

Nil.

#### **LEGAL IMPLICATIONS**

Nil.

#### **CONSULTATION**

Nil.

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### OFFICER COMMENT

#### June 2023

The total value of spending exempt from the City of Fremantle Purchasing Policy was \$30,806.00 for the month of June 2023.

The value of exemptions by category is:

Exemption Category	Value
Sole Source	\$25,806.00
Specialist Legal	\$5,000.00
<b>Total</b>	<b>\$30,806.00</b>

Details regarding individual exemptions can be found in Attachment 1.

#### July 2023

The total value of spending exempt from the City of Fremantle Purchasing Policy was \$280,592.00 for the month of June 2023.

The value of exemptions by category is:

Exemption Category	Value
Request for Artist	\$82,750.00
Original Equipment Manufacturer (OEM)	\$96,500.00
Specialist Legal Advice	\$72,770.00
Specialist Consulting	\$25,000.00
Subscription (Excluding Software)	\$3,572.00
<b>Total</b>	<b>\$279,592.00</b>

Details regarding individual exemptions can be found in Attachment 1.

### VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

### OFFICER'S RECOMMENDATION

**Council receive the information report on Purchasing Policy exemptions for June to July 2023.**

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### ARMC2308-2 TENDERS AWARDED UNDER DELEGATION JUNE TO JULY 2023

**Meeting date:** 14 August 2023  
**Responsible officer:** Procure to Pay Team Leader  
**Decision making authority:** Council  
**Attachments:** Nil

#### SUMMARY

**The purpose of this report is to summarise tenders awarded under delegation by various delegated officers and Committees during the period June to July 2023.**

**This report recommends that Council receive the report on tenders awarded under delegation between June to July 2023.**

#### BACKGROUND

Tenders awarded by the City are awarded under the following delegations, approved at Council on 25 May 2022:

<b>Delegated Authority</b>	<b>Amount of Delegation</b>
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 the 2022-23 budget approved at Council on 30 July 2022.

#### 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, of the City's Register of Delegated Authority 2022-23, the Chief Executive Officer is required to report the use of this delegation to the Audit and Risk Management Committee.

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**CONSULTATION**

Nil.

**OFFICER COMMENT**

Below is a list of tenders awarded under delegation between June to July 2023.

**June 2023**

<b>Tender Description</b>	<b>Awarded By</b>	<b>Contractor(s)</b>	<b>Contract Term</b>	<b>Contract Value</b>
FCC610/22 - Provision of Graffiti Removal Services	Director	KLEENIT PTY LTD	3 Year	\$304,200.00

**July 2023**

<b>Tender Description</b>	<b>Awarded By</b>	<b>Contractor(s)</b>	<b>Contract Term</b>	<b>Contract Value</b>
Nil				

**VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple majority required

**OFFICER'S RECOMMENDATION**

**Council receive the information report on tenders awarded under delegation for June to July 2023.**



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**ARMC2308-3 OVERDUE DEBTORS REPORT AS AT 31 JULY 2023**

<b>Meeting date:</b>	14 August 2023
<b>Responsible Officer:</b>	Manager Financial Services
<b>Decision making authority:</b>	Council
<b>Attachments:</b>	Nil
<b>Confidential Attachments:</b>	1. Summary of Overdue Debts above Threshold

**SUMMARY**

**This Overdue Debtors Report, with confidential attachment, is provided to the Audit and Risk Management Committee to report details of overdue debts, as at 31 July 2023, and identify those where the amount owing is over 90 days with a total debt exceeding \$10,000.**

**This report recommends that Council receive the Overdue Debtors Report and acknowledge the overdue debts exceeding 90 days that have a combined value greater than \$10,000 as at 31 July 2023.**

**BACKGROUND**

This report provides the Audit and Risk Management Committee the following information in relation to overdue debtors:

- The amount of total debt outstanding for the period aged from current to over 90 days overdue with a comparison to the same period for the previous year.
- All records of the uses of delegated authority, to waive or write off debts valued at \$1,000 or above.
- A confidential report containing the individual debtor information in relation to the outstanding debts exceeding 90 days with a combined value of debt, by debtor, exceeding \$10,000.
- The Debtor Day Ratio, being the average number of days taken 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.

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As at the year ending 30 June 2022 an amount of \$165,134 was held as an allowance for impairment of sundry receivables. As at 30 June 2023, the current allowance held as impairment is \$160,937 with a total of \$4,197 being waived or written off to date in the 2022/23 financial year of which one debt is over \$1,000 which is reportable to the Audit and Risk Committee.

### **Summary of Sundry Debtors**

As at 30 June 2023 a total of \$4,197 in Sundry debts have been waived or written off during the 2022/23 financial year.

### **Summary of Rates Debtors**

As at 30 June 2023 no Rates debts have been waived or written off during the 2022/23 financial year.

### **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 \$50,000 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 more than \$50,000 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.

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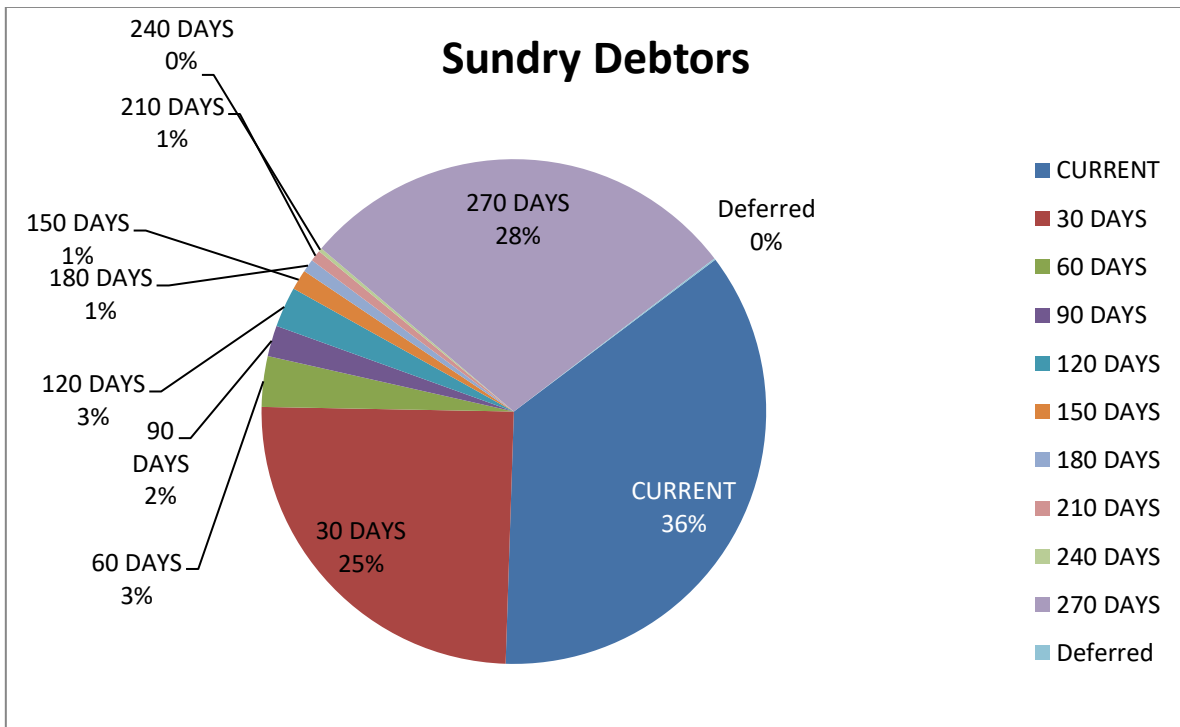


**OFFICER COMMENT**

The total of debts outstanding as at 31 July 2023 was \$990,949. A breakdown of aged debt for the current period compared to prior year is tabled below.

Period Ending	Current	30 Days	60 Days	90+ Days	Total
July 23	36%	10%	6%	48%	100%
	354,729	245,501	32,087	358,632	990,949
July 23 Excl. Commercial Properties	53%	11%	16%	20%	100%
	205,975	192,206	63,287	79,647	541,115
July 22	1,757,739	92,112	70,556	650,057	2,570,464

The graph below shows the aged debt balances as at 31 July 2023:



Compared to the report of overdue debtors as at 31 May 2023, presented to Audit and Risk Management Committee at the 19 June 2023 meeting, the total value of outstanding debts has increased slightly from \$855,913 to \$990,949.

Total outstanding debt over 90 days has reduced from \$365,150 at the end of the previous reporting date to \$358,632.

The number of overdue debtors over 90 days, and above the total debt reporting threshold of \$10,000, has increased from seven to eight. Of the eight reported, two

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debtors have decreased and one has increased values of debt since the prior reporting period.

These eight debtors have a total debt owing of \$303,900 of which \$282,392 is over 90 days. The confidential attachment contains details of the debtors comprising this balance.

### Key Performance Indicators

When determining status or risk associated with outstanding debtors, officers typically consider and assess the following metrics:

- Total amount of outstanding debt
- Age of outstanding debt (and value of that debt)
- Frequency of payment of outstanding debt
- Outstanding debt per individual debtor
- Outstanding debt per type of debtor

Officers consider all of these metrics alongside each other as well as the debtor day ratio to assist in providing an overarching assessment of general performance of outstanding debtors. The debtor day ratio measures how quickly cash is being collected from debtors regardless of the level of total outstanding amount of debt or the type of debt, allowing for a consistent metric that will identify periods where debtors are taking longer to pay down outstanding debt.

A number of metrics have been provided to follow that provide an initial snapshot of performance and or status of outstanding debtors to follow.

#### Debtor Day Ratio

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 divided by the total amount invoiced to that period for the financial year. This is then multiplied by the total number of days from 1 July to the end of the period. See calculation in the graph to follow.

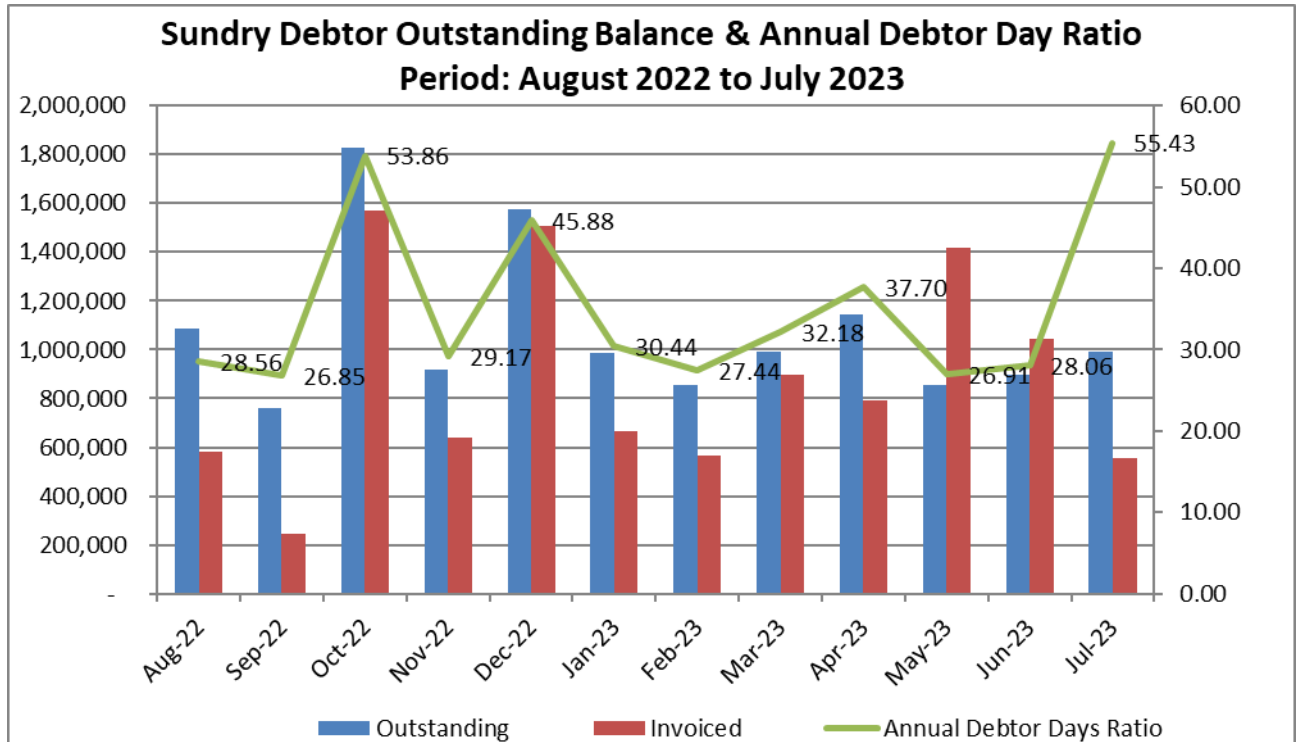
Prior financial year information is presented together with the current financial year as a comparative to demonstrate the City's ability to collect funds owed to the City when due.

As at 31 July 2023, the Debtor Day Ratio was 55.43 – being an increase from the prior reporting period as at 31 May 2023 – of 26.91. Of outstanding debt as at 31 July 2023, 35.8% related to current invoices that were not yet due.

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The chart to follow indicates the debtor days over the last 12 months. Of the 12 months, 9 months are below 38 debtor days. This indicates that the overall debt collection policy is effective to contain the debtor days. Additionally, on occasions that the debtor days rise it is brought back down in subsequent months.

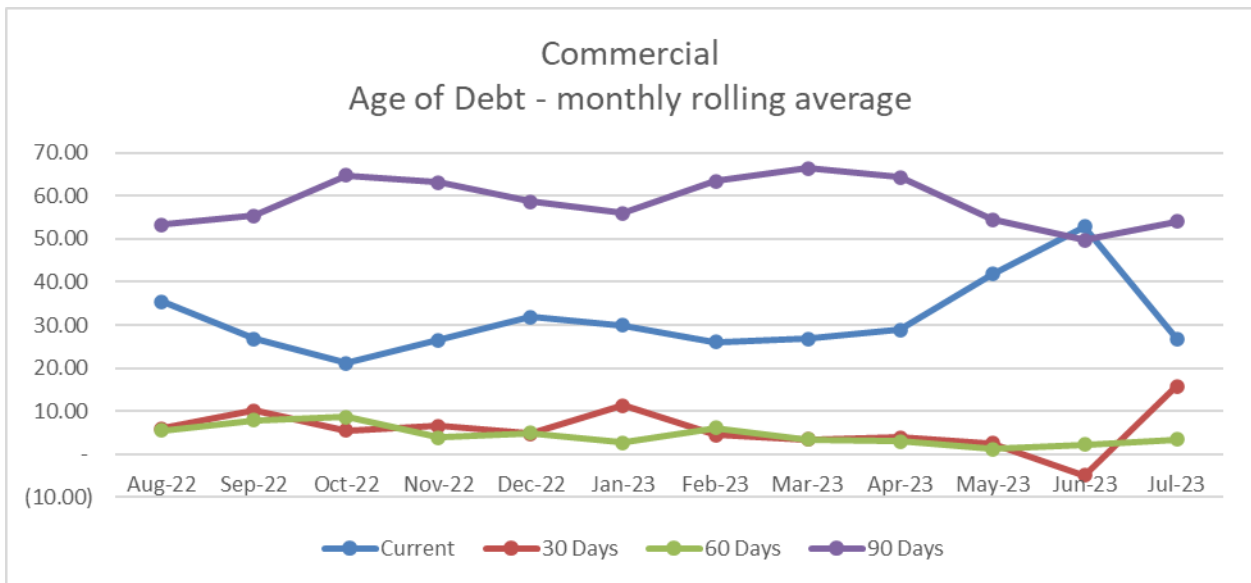


Age of Debt

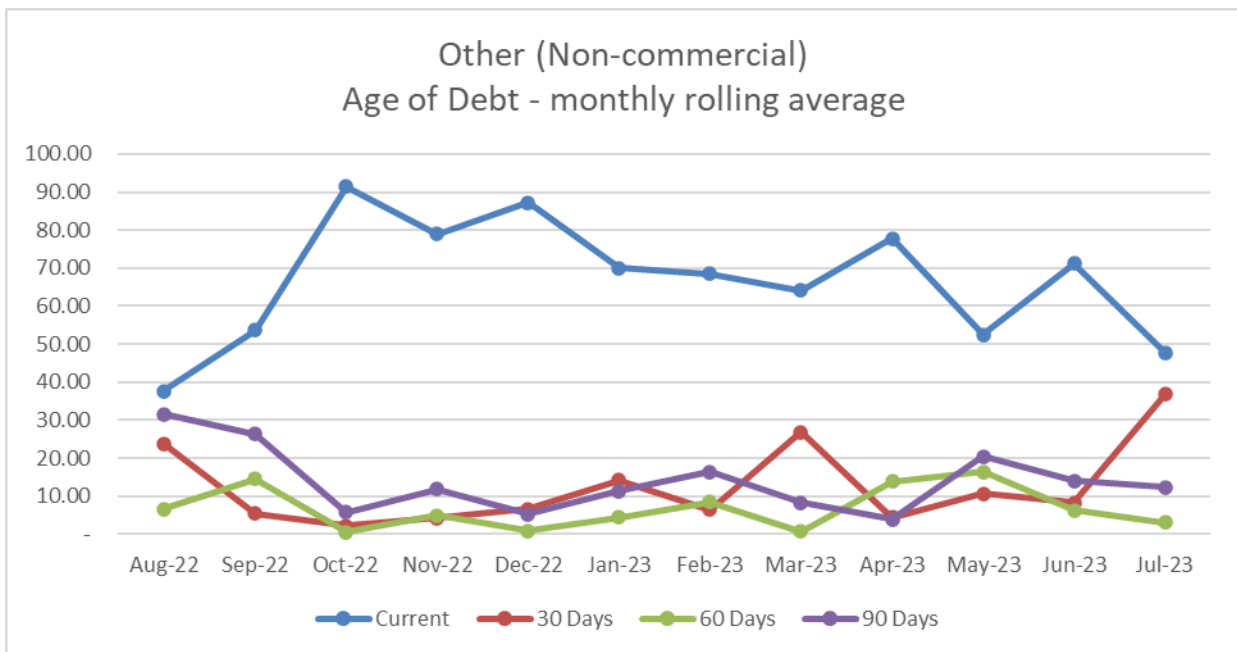
The rolling 12-month Average for debt in each age category is shown in the graphs to follow for Commercial and Other (non-commercial) debt. These graphs show the 12-month average as at each point in time, to provide a view of the trend of the City’s aged debt portfolio.

The monthly rolling average of Commercial debt shows that the portion of debt that is current ended July 2023 at 26% and remained relatively steady below 42% over the year. The portion of debt that is over 90 days has remained steady over time and appears to be slightly decreasing in recent months. This currently includes debts associated with 2 commercial property debtors carrying a significant portion of the outstanding debt. This represents a positive trend and indicates an increasing percentage of debt being paid earlier. The portion of debt in the 30-59 days and 60-89 days has not significantly changed.

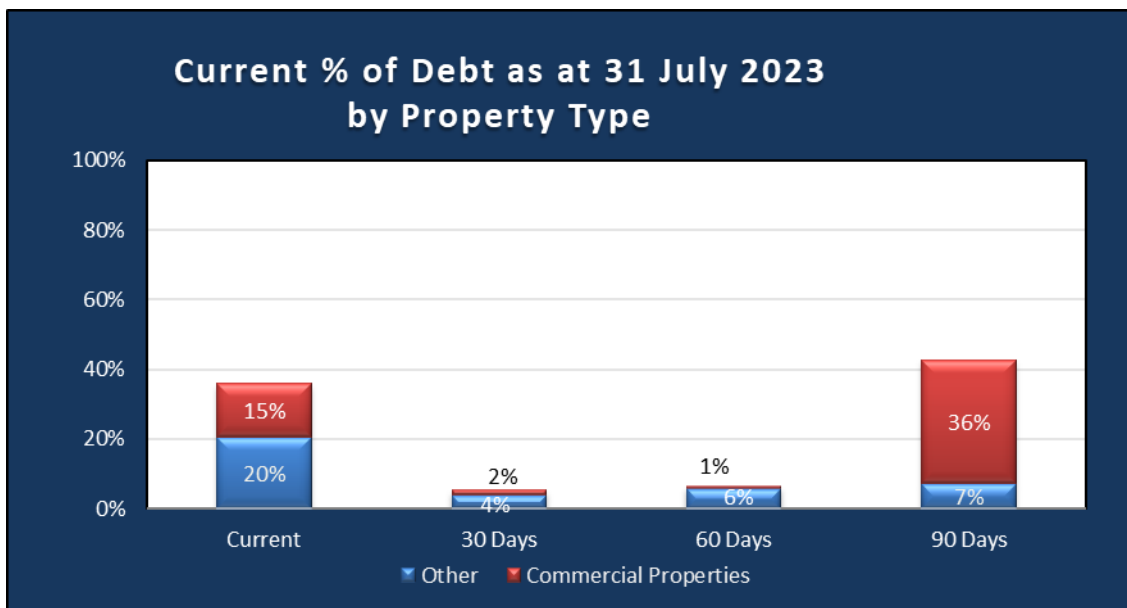
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For Other (non-commercial) debt, the category with the highest amount outstanding is for the current category. Debts over 30 days due have remained below 30% over the review period. This indicates a high degree of debts being collected timely.



The Current Value of Debt by Age category is shown in the graph to follow, split between Commercial Properties and Other (non-Commercial) Property Types:



Of total debt, Commercial Properties account for 15% (\$152K) of Current, and account for 36% of the debt owing 90 days or more (\$306k).

City officers continue to liaise with all commercial tenants to provide assistance, including payment arrangements, where appropriate.

### **Impact of COVID on Commercial Property**

As at 1 April 2021 all COVID-19 waiver arrangements came to an end and 100% of normal rent became payable.

The total amount waived for commercial properties relating to COVID-19 during both the emergency period and recovery period was \$656,975.

After waivers the City invoiced a total of \$492,579 for commercial properties.

To date, of the \$492,579 only \$7,090 remains outstanding. This is a reduction from the prior reporting period of \$3,776 with all debtors currently paying their debts progressively via direct debit arrangements.

### **VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple majority required

### **OFFICER'S RECOMMENDATION**

**Council receive the Overdue Debtors Report as at 31 July 2023, and the confidential attachment listing overdue debts exceeding 90 days with the combined value, by debtor, exceeding \$10,000 as at 31 July 2023.**

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### ARMC2308-4 EMERGING ISSUES REPORT – AUGUST 2023

<b>Meeting date:</b>	14 August 2023
<b>Responsible officer:</b>	A/Manager Governance
<b>Decision making authority:</b>	Council
<b>Attachments:</b>	Nil
<b>Confidential Attachments:</b>	1. Corporate Issues Summary Report (July)

#### SUMMARY

**This report highlights the relevant issues which are either current or emerging and may significantly affect the operation, financial, legal, or reputational operation of the City.**

**These matters are raised to inform the committee of any significant issues identified by officers and allow for any further feedback or questions on the actions currently being taken or under consideration to address and resolve them.**

#### BACKGROUND

Part of the role of the Audit and Risk Management Committee is to be aware of the significant emerging financial, political, and corporate issues being identified by the organisation and to understand, review or advise on the possible actions to address these.

#### FINANCIAL IMPLICATIONS

Some of the issues and potential mitigation actions outlined in this report may include financial implications for the City. Order of magnitude estimates of financial implications based on information available at the time of the report, is included in the issues table attached.

#### LEGAL IMPLICATIONS

The City actively seeks legal advice and support where issues and risks identified have potential legal implications.

#### CONSULTATION

Nil.



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### **OFFICER COMMENT**

The confidential table attached with this agenda identifies the emerging issues which are considered significant by the organisation. Some are in action, and some are under review by the organisation and will continue to be updated to the Audit and Risk Management Committee over time.

In conjunction with the organisation's newly developed Risk Management Framework, the City's issues log will provide a consistent and effective means of tracking, managing, and resolving significant corporate and organisational issues.

It should be noted that as the City progresses through the transitional period to the new Risk Management Framework, there are a number of issues covered on both the issues log and the current Corporate Risk Register.

The City's corporate issues log is populated and maintained by officers. This document is maintained live in the City's corporate document management system and is reviewed and discussed by the Executive Leadership Team as a standing agenda item monthly.

### **VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple majority required

### **OFFICER'S RECOMMENDATION**

**Council receive the emerging issues report for August 2023.**

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**ARMC2308-5 INFORMATION REPORT – AUGUST 2023**

**1. REPORT ON ELECTED MEMBER TRAINING FROM 1 JULY 2022 UNTIL  
30 JUNE 2023**

**Responsible officer:** A/Manager Governance

**Attachments:** 1. Report on Elected Member Training 2022-2023

In June 2019, new provisions were introduced into the *Local Government Act 1995* relating to training and development for elected members.

Section 5.127 of the *Local Government Act 1995* requires local governments to prepare a report on the training completed by elected members for each financial year, which is then to be published on the City's official website.

The attached report contains the professional development completed by current elected members for the 2022-2023 financial year.

**2. GRANT THORNTON AUDIT PLANNING REPORT FOR THE YEAR  
ENDING 30 JUNE 2023**

**Responsible officer:** Director City Business

**Attachments:** Nil

**Confidential attachment:** 1. Grant Thornton Final Audit Planning Report

Grant Thornton has been engaged by the Office of the Auditor General (OAG) Western Australia to perform an audit of the City of Fremantle's annual financial statement for the year ending 30 June 2023.

The audit planning report provided in Confidential Attachment 1, highlights the key elements of the proposed audit strategy provided by Grant Thornton. This report is provided to the Audit and Risk Management Committee for information.

Should the Audit and Risk Management Committee wish to make any changes to the audit plan (attached), they are welcome to provide this feedback to officers at the committee meeting and an appropriate amendment will be prepared to incorporate these changes and forwarded to Grant Thornton for consideration.

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**3. CALL FOR EXPRESSIONS OF INTEREST FOR THE POSITION OF  
INDERPENDENT MEMBERS**

**Responsible officer:** A/Manager Governance  
**Attachments:** Nil

At the upcoming Ordinary Local Government Election in October 2023, the membership of each council committee (and other groups) will expire, and member positions will become vacant. Following the election new members will be appointed by council for a two-year term, ending at the next Ordinary Local Government Election in October 2025.

As previously adopted by Council, the Audit and Risk Management Committee (ARMC) terms of reference outlines that the committee will be made up of a minimum of four councillors, the Mayor and two external independent members.

The terms of reference outlines that the external independent members will be selected based on the following criteria:

- a. Demonstrated high level of expertise and knowledge in financial management, or reporting, or governance, or auditing, or risk; and
- b. Relevant skills and experience in providing independent expert advice.

In preparation for the appointment of committee members following the elections, public notice will be given calling for applications/expressions of interest for the two external independent member positions. Applications will be open for a period of four-weeks. The current external independent member, Mr Ben Arnold, will also be provided with an opportunity to re-nominate for the role.

Following the close of applications, the Executive Team will evaluate all applications in line with requirements of an independent member as outlined in the terms of reference. Officers will provide a report on the outcome of this evaluation, to the Audit and Risk Management Committee for consideration at the first committee meeting following the ordinary elections. Recommendation for appointment of the preferred independent members will be forwarded to Council for final consideration.

**OFFICER'S RECOMMENDATION**

**Council receive the following information reports for August 2023:**

- 1. Elected Member Training from 1 July 2023 until 30 June 2023.**
- 2. Grant Thornton Final Audit Planning Report.**
- 3. Call for expressions of interest for the position of independent members on the Audit and Risk Management Committee.**



## **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 agenda, matters may be raised and decided by the meeting. A written report will be provided for late items.

Nil.

## **11. Confidential business**

Nil.

## **12. Closure**