



Agenda

Audit and Risk Management Committee

Monday 16 September 2024 6:00 pm



Notice of an Audit and Risk Management Committee

Elected Members

An Audit and Risk Management Committee of the City of Fremantle will be held on **Monday 16 September 2024** in the Seminar Room (Wetj Room) at the Walyalup Civic Centre, located at 151 High Street, Fremantle commencing at 6:00 pm.

This meeting is closed to the public.

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

Matt Hammond
Director City Business

12 September 2024



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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.

Attendance, apologies and leave of absence

Attendance

Apologies

There are no previously received apologies.

Leave of absence

Ms Hannah Fitzhardinge Mayor

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.

Deputations

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

Presentations

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

Confirmation of minutes

OFFICER'S RECOMMENDATION

The Audit and Risk Management Committee confirm the minutes of the Audit and Risk Management Committee meeting dated 17 June 2024.



Elected member communication

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



Reports and recommendations from officers

Governance and Compliance

ARMC2409-01 AUDIT ACTIONS UPDATE - AUGUST 2024

Meeting date:	16 September 2024
Responsible officer:	Manager Financial Services
Voting requirements:	Simple Majority Required
Attachments:	1. CONFIDENTIAL - August 2024 Audit Action Register

SUMMARY

This report provides an update on the status of actions arising from annual audits carried out in line with statutory requirements.

The report requests the Audit and Risk Management Committee receive and note the current list of audit actions and status associated with each.

BACKGROUND

Currently the City of Fremantle participates in or undertakes the following audits as required under the *Local Government Act 1995*:

- Audit of annual financial statements
- Audit of General computer controls and information systems
- Audit of Financial management (Regulation 5)
- Audit of general systems, procedures and controls (Regulation 17)

The Financial Audit and General Computer Controls Audit are carried out by the Office of the Auditor General (OAG) and assess both financial and information technology related compliance and controls.

The Regulation 5 and Regulation 17 audits are carried out by external auditors engaged by the City.

Each audit results in a series of recommendations being made by the auditor, which the City reviews, tracks and actions accordingly. Recommendations are rated based on risk and severity and the city prioritises any remediation required on that basis.

The audit register, as provided in confidential attachment 1, provides information regarding the status of each action and progress associated with each.



FINANCIAL IMPLICATIONS

Nil.

LEGAL IMPLICATIONS

The City considers and actions audit recommendations in line with its requirements under the *Local Government Act 1995*.

STRATEGIC IMPLICATIONS

This is in keeping with the City of Fremantle's Strategic Community Plan 2024 – 2034:

Corporate - Lead and empower the organisation to deliver the vision of 'strong reputation, stronger future'

- Enable the City to maintain legislative compliance and accountability for organisational decision making.
- Support the City through financial, procurement and revenue functions whilst ensuring legislative compliance and providing excellent customer service.

CONSULTATION

Audit recommendations are implemented and actioned in consultation with auditors to ensure accurate interpretation and understanding of audit recommendations.

OFFICER COMMENT

The audit action register has been developed as part of the continuous improvement of the City's management and reporting of audit activities and findings.

The audit action register provides a summary report of all the current open audit findings, recommendations, and progress comments from the various audit activities.

Noting that full audit reports are presented to the Audit and Risk Management Committee upon completion of each audit, the register provides an ongoing summary update on status and includes the following information:

- The core finding identified by the relevant audit.
- The associated risk rating as identified by the auditor.



- The auditor's core recommended actions.
- The officer responsible for implementing the action.
- Indications of which audits resulted in the core finding, whether it be the OAG financial or IT audits, Regulation 5 or 17.
- Comments on progress made, and current status of action being taken by the City.
- Estimated completion date and actual completion date for the items that have been resolved.

As at the ARMC in June 2024 there were only 4 outstanding items on the audit register. One item has been closed since June 2024, leaving only 3 outstanding items on the audit register.

Of the three 3 outstanding items:

- Two relate to the OAG GCC (IT) Audit, with one of those findings being assessed as moderate and the other being assessed as minor.
- One relates to the Reg 17 audit and is assessed as minor.

All three findings are on track to be addressed and closed out prior to the end of the FY24/25 financial year.

VOTING AND OTHER REQUIREMENTS

Simple Majority Required

OFFICER'S RECOMMENDATION

Council receive and note the updated Audit Actions Register as provided in confidential attachment 1.



AMRC2409-02 EMERGING ISSUES REPORT - JUNE TO AUGUST 2024

Meeting date: 16 September 2024
Responsible officer: Manager Governance
Voting requirements: Simple Majority Required
Attachments: 1. CONFIDENTIAL - Emerging Issues Summary Report August 24

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 any significant 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.

STRATEGIC IMPLICATIONS

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CONSULTATION

Nil.

OFFICER COMMENT

The table provided in confidential attachment 1 identifies the current or 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 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 emerging 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 REQUIREMENTS

Simple Majority Required

OFFICER'S RECOMMENDATION

Council receive the Emerging Issues report for June to August 2024 as detailed in confidential attachment 1.



Finance

ARMC2409-03 PURCHASING POLICY EXEMPTIONS JUNE TO AUGUST 2024

Meeting date: 16 September 2024
Responsible officer: Manager Financial Services
Voting requirements: Simple Majority Required
Attachments: 1. Exemption Register June to August 24

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 August 2024.

This report recommends that Council receive the Purchasing Policy Exemptions report for June to August 2024.

BACKGROUND

At the Ordinary Meeting of Council of 25 November 2020, Council adopted an updated 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.

STRATEGIC IMPLICATIONS

This is in keeping with the City of Fremantle's Strategic Community Plan 2024 – 2034:



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- Support the City through financial, procurement and revenue functions whilst ensuring legislative compliance and providing excellent customer service.

CONSULTATION

Nil.

OFFICER COMMENT

June 2024

The total value of spending exempt from the City of Fremantle Purchasing Policy was **\$44,565.00** for the month of June 2024.

The value of exemptions by category is:

Exemption Category	Value
Purchasing Policy Exemption	Nil
Request for Artist	\$44,565.00
Sole Source of Supply	Nil
Total	\$44,565.00

Details regarding individual exemptions can be found in Attachment 1.

July 2024

The total value of spending exempt from the City of Fremantle Purchasing Policy was **\$123,621.04** for the month of July 2024.

The value of exemptions by category is:

Exemption Category	Value
Purchasing Policy Exemption	\$107,621.04
Request for Artist	\$5,000.00
Sole Source	\$11,000.00
Total	\$123,621.04

Details regarding individual exemptions can be found in Attachment 1.



August 2024

The total value of spending exempt from the City of Fremantle Purchasing Policy was **\$140,076.14** for the month of August 2024.

The value of exemptions by category is:

Exemption Category	Value
Purchasing Policy Exemption	\$127,832.50
Request for Artist	\$7,500.00
Sole Source	\$4,743.64
Total	\$140,076.14

Details regarding individual exemptions can be found in Attachment 1.

VOTING AND OTHER REQUIREMENTS

Simple Majority Required

OFFICER'S RECOMMENDATION

Council receive the information report on Purchasing Policy Exemptions for June to August 2024.



ARMC2409-04 TENDERS AWARDED UNDER DELEGATION JUNE TO AUGUST 2024

Meeting date: 16 September 2024
Responsible officer: Manager Financial Services
Voting requirements: Simple Majority Required
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 August 2024.

This report recommends that Council receive the report on tenders awarded under delegation between June to August 2024.

BACKGROUND

Tenders awarded by the City are awarded under the following delegations, approved at Council on 26 June 2024 (C2406-15):

Delegated Authority	Amount of Delegation
Ordinary Meeting of Council	\$1,000,000+ (if within budget)
CEO	Up to \$1,000,000
Directors	Up to \$500,000

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

FINANCIAL IMPLICATIONS

All tenders were awarded in line with the adopted 2023-24 and 2024-25 budget.

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 2023-24, the Chief Executive Officer is required to report the use of this delegation to the Audit and Risk Management Committee.



STRATEGIC IMPLICATIONS

This is in keeping with the City of Fremantle’s Strategic Community Plan 2024 – 2034:

Corporate - Lead and empower the organisation to deliver the vision of 'strong reputation, stronger future'

- Support the City through financial, procurement and revenue functions whilst ensuring legislative compliance and providing excellent customer service.

CONSULTATION

Nil.

OFFICER COMMENT

Below is a list of tenders awarded under delegation between June 2024 to August 2024.

June 2024

Tender Description	Awarded By	Contractor(s)	Contract Term	Contract Value
Nil				

July 2024

Tender Description	Awarded By	Contractor(s)	Contract Term	Contract Value
WFCC Provision of Gas	Director	Kleenheat	1 year	\$182,876.00
FCC656/24 Town Hall Balcony Renewal	Director	CLPM Pty Ltd	One-Off Project	\$580,054.98

August 2024

Tender Description	Awarded By	Contractor(s)	Contract Term	Contract Value
FCC657/24 Conservation & Environmental Services	Director	South East Regional Centre For Urban Landcare Inc. (SERCUL)	3 years	\$414,855.00



VOTING AND OTHER REQUIREMENTS

Simple Majority Required

OFFICER'S RECOMMENDATION

Council receive the information report on Tenders Awarded under Delegation for June to August 2024.



ARMC2409-05 OVERDUE DEBTORS REPORT AS AT 31 AUGUST 2024

Meeting date:	16 September 2024
Responsible officer:	Manager Financial Services
Voting requirements:	Simple Majority Required
Attachments:	1. CONFIDENTIAL - Summary of Outstanding Debtors 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 August 2024, 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 August 2024.

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.

As at the year ending 30 June 2024 an amount of \$160,937 is held as an allowance for impairment of sundry receivables. There was a total of \$87,996 of waivers or debts written off for the 2023/24 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.

STRATEGIC IMPLICATIONS

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- Support the City through financial, procurement and revenue functions whilst ensuring legislative compliance and providing excellent customer service.

CONSULTATION

Nil.

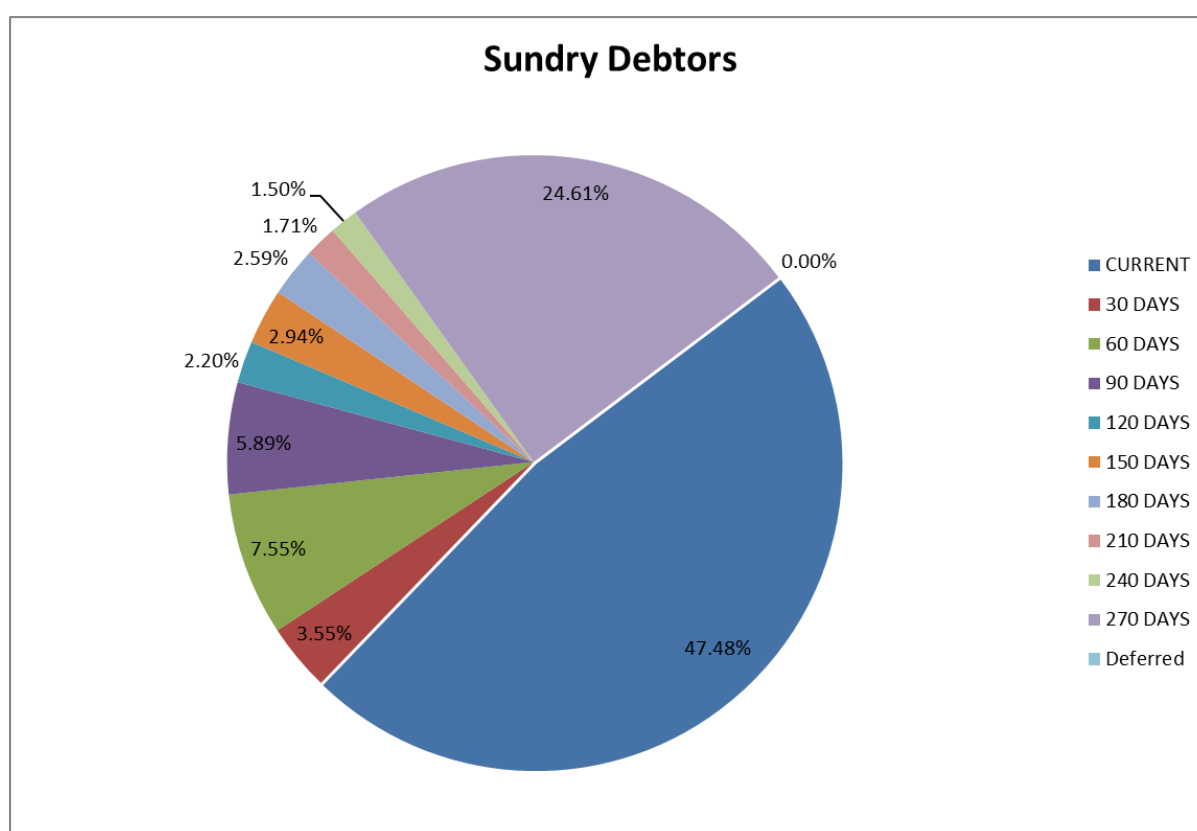
OFFICER COMMENT

The total of debts outstanding as at 31 August 2024 was \$707,717. A breakdown of aged debt for the current period compared to prior year is tabled below.



2024/25					
Period Ending August 2024	Current	30 Days	60 Days	90+ Days	Total
Jun 24 – Aug 24	47%	4%	8%	41%	100%
	336,029	25,132	53,455	293,101	707,717
Jun 24 – Aug 24 Excl. Commercial Properties	46%	10%	12%	32%	100%
	112,083	23,149	27,987	78,093	241,312
Jun 23 – Aug 23	556,104	64,451	173,028	327,958	1,121,541

The graph below shows the aged debt balances as at 31 August 2024:



Compared to the report of overdue debtors as at 31 May 2024, presented to Audit and Risk Management Committee at the 17 June 2024 meeting, the total value of outstanding debts has decreased from \$1,105,710.34 to \$707,717.07.

Total outstanding debt over 90 days has decreased from \$425,837 at the end of the previous reporting date to \$293,101.

The number of overdue debtors over 90 days, and above the total debt reporting threshold of \$10,000, has had a significant decrease from eleven down to three.

Of the three reported, one debtor has had no change and two are new debtors.



These three debtors have a total debt owing of \$81,334 of which \$81,334 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.

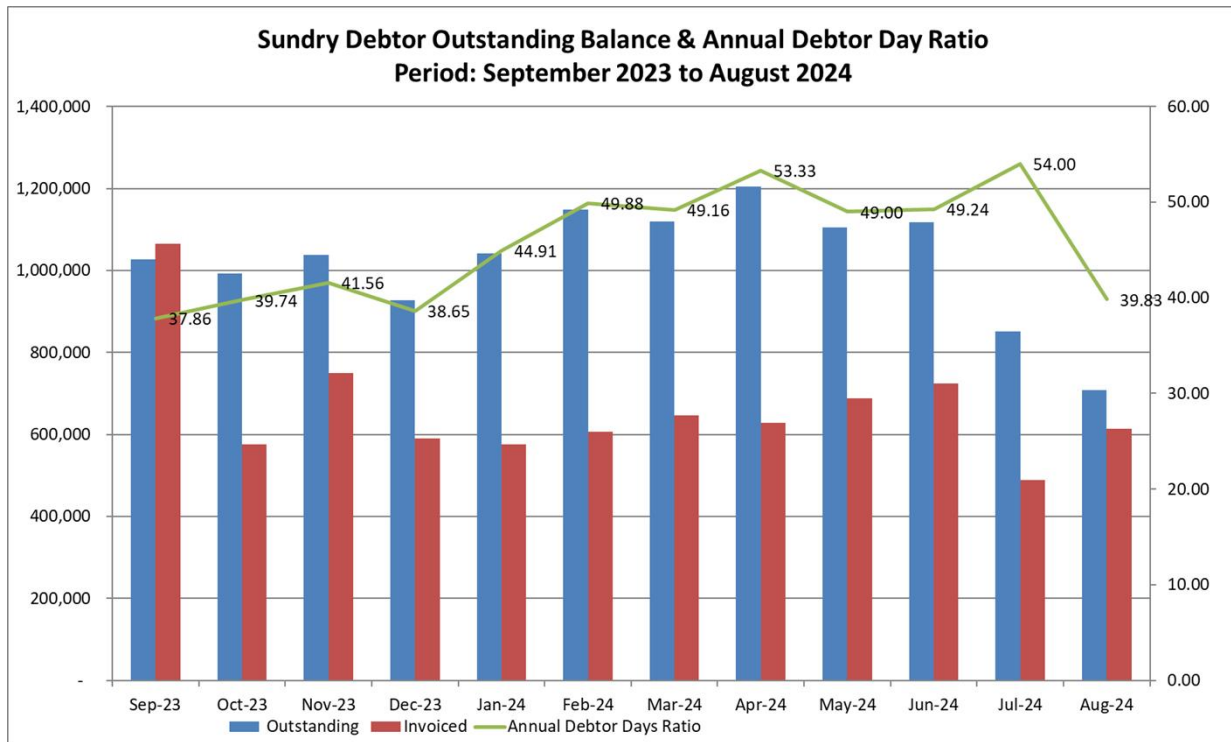
A number of metrics have been provided to follow that provide an initial snapshot of performance and or status of outstanding debtors to follow.

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.

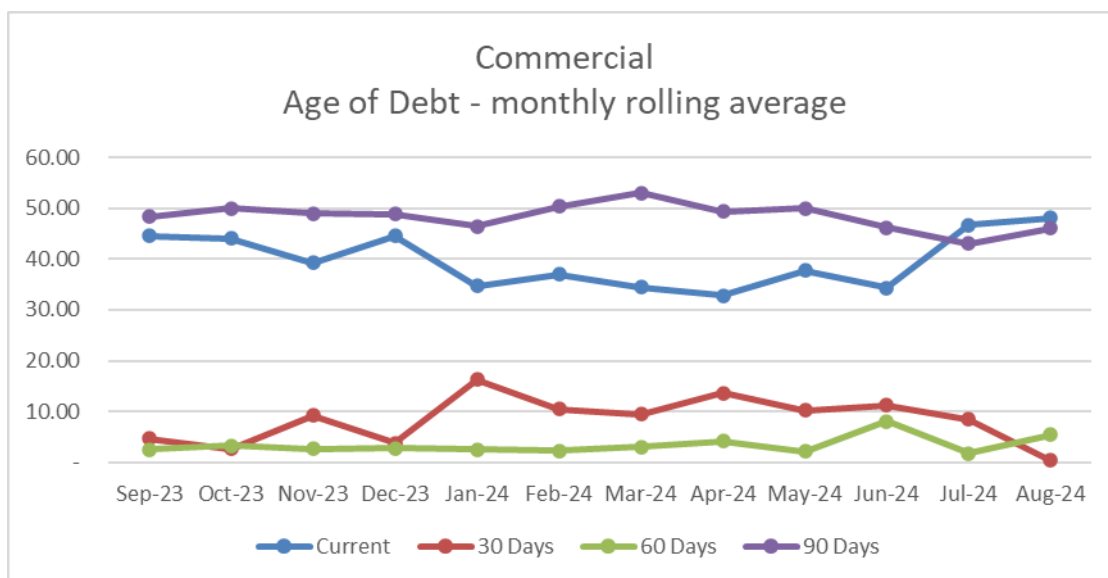
The calculation of the ratio considers the total amount outstanding at the end of the period divided by the total amount invoiced to that period for the financial year. This is then multiplied by the total number of days from 1 July to the end of the period. See calculation in the graph to follow.

The chart to follow indicates the debtor days over the last 12 months. Debtor days have steadily increased during last financial year, however have dipped backed to 39.83 as at August 2024. The impact of reducing the 90+ day debtors from 11 to 3 is clearly indicated in the graph to follow.



Age of Debt

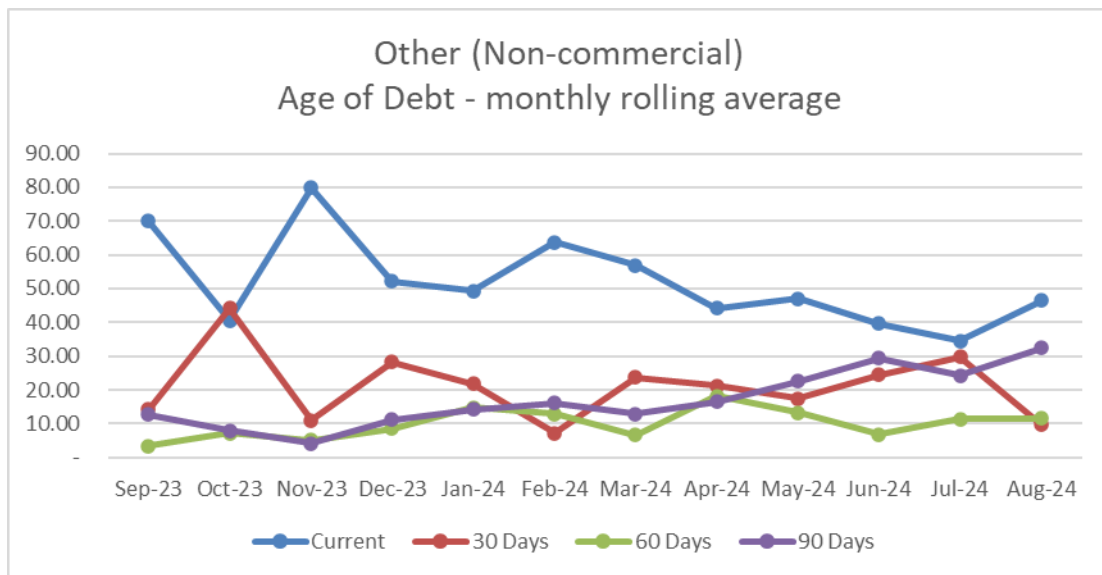
The rolling 12-month Average for debt in each age category is shown in the graphs to follow for Commercial and Other (non-commercial) debt. These graphs show the 12-month average as at each point in time, to provide a view of the trend of the City’s aged debt portfolio.





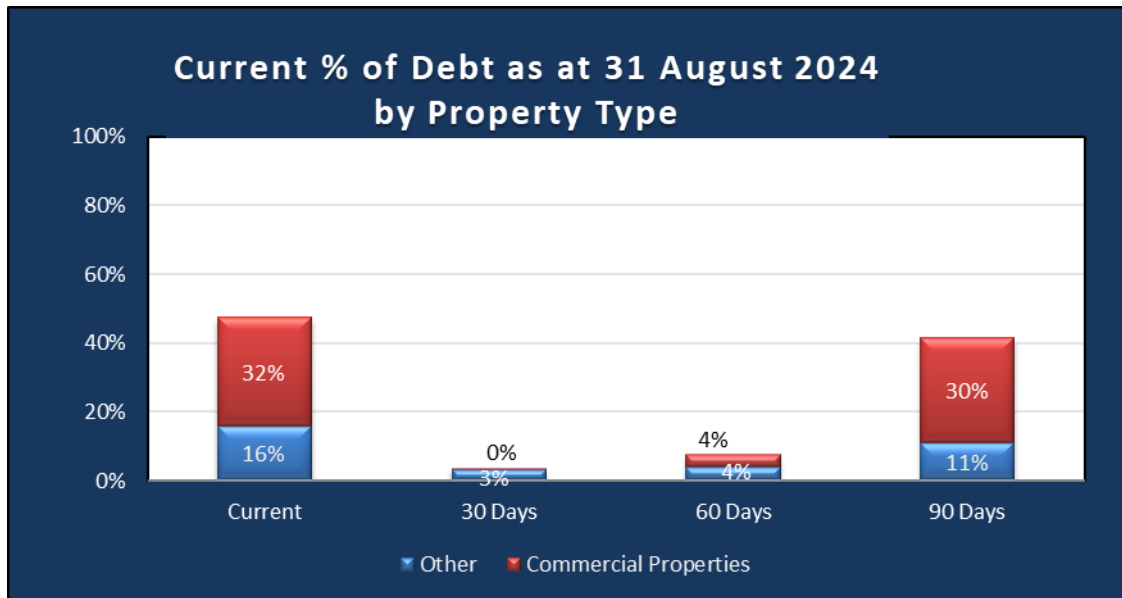
As per the monthly rolling average chart for commercial, the portion of debt that is current was 32% as at August 2024. The portion of debt that is over 90 days has remained steady over time but has slightly decreased since March 2024. The current and 90 Days have remained relatively stable over the year. The portion of debt in the 30-59 days and 60-89 days remained at the lower end.

For other (non-commercial) debt, current debt remains the category with the highest amount outstanding. All other categories remain much lower than the current trend line. This indicates a high proportion of debts being collected in a timely manner.



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 the total debt, Commercial Properties account for 32% of Current debt, and account for 30% of the debt owing 90 days or more.

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. This amount has now been fully collected from the respective debtors. A such future ARMC reports will no longer reference this information as all outstanding invoices have been paid.

Delegation 2.3 - Defer payment, grant a concession, waive fees and write off of Debts

During the reported period there were no waivers or write offs greater than \$1,000.

VOTING AND OTHER REQUIREMENTS

Simple Majority Required

OFFICER'S RECOMMENDATION

Council receive the Overdue Debtors Report as at 31 August 2024, and the confidential attachment listing overdue debts exceeding 90 days with the combined value, by debtor, exceeding \$10,000 as at 31 August 2024.



Health, Safety and Environment

Nil.

Legal, Reputation and Brand

Nil.

Motion 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 in accordance with the Meeting Procedures Policy.

Nil.

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.

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.

Confidential business

Nil.

Closure