MINUTES

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 12 September 2017, 5.30 pm
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AUDIT AND RISK MANAGEMENT COMMITTEE

Minutes of the Audit and Risk Management Committee meeting held in the Council Chambers, Fremantle City Council on 12 September 2017 at 5.30 pm.

DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Presiding Member declared the meeting open at 5.30 pm and welcomed members of the public to the meeting.

NYOONGAR ACKNOWLEDGEMENT STATEMENT

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

IN ATTENDANCE

Cr Doug Thompson Presiding member / North Ward
Cr Jeff McDonald Hilton Ward
Cr Andrew Sullivan South Ward
Cr Rachel Pemberton City Ward
Mr Phillip Draber External Committee Member
Mayor, Brad Pettitt (Observing only)
Cr Ingrid Waltham East Ward (Observing only)

Mr Philip St John Chief Executive Officer
Mr Glen Dougall Director City Business
Ms Charlie Clarke Manager Governance
Ms Narelle French Manager of Finance
Ms Esma Pollock Risk and Insurance Advisor
Ms Holly Glossop Minute Secretary
Mrs Melody Foster Governance Officer
Mrs Helen Bliss Governance Officer

There were no members of the public and no member/s of the press in attendance.

APOLOGIES

Cr David Hume Beaconsfield Ward
LEAVE OF ABSENCE
Nil

DISCLOSURES OF INTEREST BY MEMBERS
Nil

RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE
Nil

PUBLIC QUESTION TIME
Nil

DEPUTATIONS / PRESENTATIONS
Nil

CONFIRMATION OF MINUTES
MOVED: Cr D Thompson

That the minutes of the Audit and Risk Management Committee meeting dated 18 July 2017 be confirmed as a true and accurate record.

CARRIED: 5/0

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<td>Mr Phillip Draber</td>
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TABLED DOCUMENTS
Nil.

LATE ITEMS NOTED
Nil
REPORTS BY OFFICERS

ARMC1709-1  RISK MANAGEMENT FRAMEWORK REVIEW

Meeting Date: 12 September 2017
Responsible Officer: Director of City Business
Decision Making Authority: Council
Agenda Attachments: Risk Management Framework Policy
Risk Management Framework Guidelines

SUMMARY

The risk management framework is a set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

Generally, these foundations include the policy, objectives, mandate and commitment to manage risk. The arrangements include plans, relationships, accountabilities, resources, processes and activities.

The risk management framework is embedded within an organisation’s overall strategic and operational policies and practices.

As part of the ongoing review of risk management at the City, a City Risk Management Framework review has been undertaken.

This report recommends that the following key risk management framework components be considered for adoption:

- Risk Management Policy
- Risk Management Guidelines

BACKGROUND

A Risk Management Framework will assist the City in meeting strategic and operational objectives.

The City has developed previous Risk Management Frameworks in the past, including a submission supported by the City’s insurers, LGIS, in 2013.

A revised draft version of Risk Management Framework was presented to the Committee in March 2017. Key elements were identified as not being incorporated in the framework, including a risk appetite statement. For the City to successfully implement a risk management framework the following attributes are required:

1. The City accepts accountability for risks and develops comprehensive controls and treatment strategies.
2. An emphasis on continuous improvement in risk management
3. Individuals are accountable for risk and risk as a discipline is resourced
4. Management decisions at all levels consider risk, including in key areas such as procurement, community, project management, safety and planning.
5. Reporting of risk and risk performance is included in the governance process

A brief definition of the framework components are as follows:

Risk Management Policy - is a statement of intent. It communicates to all stakeholders why and how the City manages risk

Risk Appetite – the City determines the nature and extent of the significant risks it is willing to take in achieving strategic objectives

Governance Framework and Committee Framework - Governance is the framework of rules and procedures by which the decisions in the City are made, and how the controllers are held accountable for them.

Risk Management Strategy - a structured and coherent approach to identifying, assessing and managing risk. It builds in a process for regularly updating and reviewing the assessment based on new developments or actions taken

Risk Management Framework - is a set of components that set out the City’s arrangements for the management of risk

Risk Architecture and Reporting – is the development and implementation of risk management strategy and systems

Risk Culture - the values, beliefs, knowledge, attitudes and understanding about risk shared by the City and for a common purpose

Stakeholder Management and Communication - the systematic identification, analysis, planning and implementation of actions designed to engage with stakeholders. Key developments and deliverables are regularly communicated to stakeholders

Project Management – is the process of identifying and assessing the risks to projects and managing those risks to minimize the impact on the project

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

Nil

CONSULTATION

Key internal stakeholders have been consulted, including the executive management, management team and Audit and Risk Committee members.
OFFICER COMMENT

The attached draft Risk Policy and Risk Guidelines are presented for consideration.

These documents provide the first step in a review of the risk process at the City which is expected to take place over the coming 9 to 12 months.

It is recommended this initiative commences immediately with the next steps for the City being:

1. Using the framework to develop a risk strategy aligning with the City’s strategic and business planning process.
2. Reviewing the capability and ongoing risk reporting system requirements.
3. Incorporate risk management in decision making process building a culture of risk and opportunity awareness.
4. Communicating risk awareness and performance engaging all stakeholders.
5. Integrating risk management and reporting for key projects.

The progress of these next steps in the project will be reported to the Audit and Risk Committee as required over the coming 12 month period. By implementing the attached draft Policy and Guidelines it is intended to develop a culture of risk assessment and awareness in the City’s operations and ensure that the profile of risk management is lifted within the organisation.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority

Mr Phillip Draber MOVED an amendment to the Attachments as follows:

Attachment 1 - Risk Management Policy;
- Amend paragraph four of the Risk Appetite, to read as follows;
  The City has no tolerance for risks to community and staff safety and for deliberate breaches of laws, regulations and professional standards.

Attachment 2 - Risk Management Guidelines;
- Table one - Amend the risk category 'property' to be 'physical assets'.
- Table two - Change 'Frequency' in column four to 'Probability' and amend each level to be percentage based.
- Table five - Amend the 'criteria for acceptance of risk' for a low level risk to replace 'acceptable with excellent controls' to 'acceptable with satisfactory controls'

Note: The amendments above will be included in the attachments for the Ordinary meeting of Council to be held 27 September 2017.
COMMITTEE AND OFFICER'S RECOMMENDATION

MOVED: Cr D Thompson

Recommendation:

Council;

1. Adopts the draft Risk Management Policy (September 2017) as amended and attached to the Council agenda, inclusive of;
   a) Risk Governance Chart
   b) Risk Appetite statement

2. Adopts the draft Risk Management Guidelines as amended and attached to the Council agenda.

CARRIED: 5/0

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ARMC1709-2  DEPARTMENT OF LOCAL GOVERNMENT RISK REGISTER - CITY OF FREMANTLE RANKING

Meeting Date: 12 September 2017
Responsible Officer: Director City Business
Decision Making Authority: Council

SUMMARY

To receive and consider the response in relation to the recent announcement in State Parliament by the Minister for Local Government; Heritage; Culture and the Arts that the City of Fremantle is listed as High Risk on a risk register compiled by the Department of Local Government.

Since becoming aware of this response through a state newspaper article, the City has written to the Minister and Director General of the Department of Local Government seeking clarification of the rating. The City has also engaged its independent auditor, Moore Stephens, seeking clarification.

Moore Stephens has estimated a Financial Health Index rating of 85 for the period ended 30 June, 2017. This estimate is based on the draft financial statements for that period and is subject to the audit being finalised.

BACKGROUND

An article which appeared in the West Australian on Friday 11 August, 2017, indicated that the Minister for Local Government had been asked a question in relation to a risk register compiled by the Department of Local Government. The article noted the City of Fremantle as being listed as “high risk” on the register in the response provided by the Minister.

The full summary of documents provided by State Parliament highlights that over the a period of three years the Department has listed various local governments as being “low”, “medium” or “high” risk on a tabled document. No commentary is provided on this list as to the reason for a council being listed, let alone the purpose of each category.

FINANCIAL IMPLICATIONS

Nil.

LEGAL IMPLICATIONS

Nil.
CONSULTATION

The City has written to the Minister for Local Government and the Director General for Local Government seeking clarification on the risk rating applied by the Department. Whilst a response had not been received at the time of writing this agenda, any response received prior to the Council meeting will be tabled.

OFFICER COMMENT

As a result of the information made public on 11 August, 2017, the City wrote to both the Minister and the Director General seeking information and clarity around the listing. From the information tabled in Parliament, the City has not appeared in any category on previous years and was placed as “high risk” in 2016.

The City is aware of a one-off poor rating in the Financial Health Index for the financial year ending 30 June, 2016. These figures reflect a small operating loss for the year as a consequence of several matters. No adverse long term comment was provided in the independent audit undertaken for that financial year as it was considered a one-off occurrence.

On the assumption the listing by the Department was made as a result of the FHI for 2016, the City also engaged the City’s Auditor to review the draft financial statements prepared for the period ended 30 June, 2017. Whilst the audit for that year is still to be completed, the auditor has considered the draft financial statements prepared by the City to consider the FHI rating that would result if the statements are verified through the audit. The proposed FHI applied by the Auditor for these statements is 85. An FHI rating above 70 is considered to indicate sound financial health and, if the FHI is the only reason for the risk rating, would result in Fremantle no longer being assessed in any risk category by the Department.

The FHI is calculated through the generation of seven ratios as part of the financial statements generated and audited each year. Some of these ratios are interlinked as they are based on similar data within the financial statements. This has the propensity to create poor results as occurred with the City in 2016. The Western Australian Local Government Association is currently considering the use of these ratios and whether they could be amended to better reflect financial performance.

The reason for the difference in the FHI score for the City between the two years (2016 and 2017) is mainly due to the operating result for these years. For the period ended 30 June 2017, the City’s made an operating surplus turnaround due to book profits listed for the sale of the Queensgate properties, general increment in and building valuations infrastructure (rather than the previous year decrements) and a general operating surplus. The improvement in the operating result also improved the debt ratio result as these two ratios are linked. The asset ratios improved as a result of significant renewal projects last financial year – these being the Town Hall and Old Boys School projects which saw nearly $4m in renewal works achieved on these two projects alone.

The audit process is still being completed so the proposed FHI number listed above may change but is not anticipated to change significantly. A factor which may see this figure change is the asset revaluation results, which the City is seeking clarification on with
some items changing well outside the average changes. These queries reflect both increases and decreases in values and would likely cancel each other out and therefore should not have any effect on the final result.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

OFFICER’S RECOMMENDATION

Council:

1. Receive and note the forward estimate of the Financial Health Index score for the period ended 30 June, 2017 of 85 provided by the City’s Auditor – Moore Stephens![](image)

2. Receive and note (if received) the advice from the Minister for Local Government; Heritage; Culture and the Arts; and Sport and Recreation and from the Director General for the Department of Local Government in relation to the 2016 risk rating provided by the Department of Local Government.

Cr D Thompson MOVED an amendment to Part 2 of the Officer’s Recommendation as shown in italics:

2. Note that advice from the Minister for Local Government; Heritage; Culture and the Arts; and Sport and Recreation and from the Director General for the Department of Local Government has been requested, in relation to the 2016 risk rating provided by the Department of Local Government

Cr D Thompson MOVED an amendment to include an additional part 3 and 4 to read as follows:

3. Note that WALGA has received a report from Deloitte Access Economics reviewing the report into Local Government Finances in Western Australia.

4. Notes and supports WALGA’s intention to endorse the findings of this report and to advocate to the DLGC for the current 7 financial reporting ratios to be reduced to 3 and to encourage and support local Governments to make greater use of borrowings where appropriate.

CARRIED: 5/0

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REASON/S FOR CHANGE TO OFFICER’S RECOMMENDATION
The Committee requested to note the report received by WALGA in relation to the review of Local Government finances in WA and note their intent to endorse the findings of this report.

COMMITTEE RECOMMENDATION

MOVED: Cr D Thompson

Council:

1. Receive and note the forward estimate of the Financial Health Index score for the period ended 30 June, 2017 of 85 provided by the City’s independent external Auditor – Moore Stephens.

2. Note that advice from the Minister for Local Government; Heritage; Culture and the Arts; and Sport and Recreation and from the Director General for the Department of Local Government has been requested, in relation to the 2016 risk rating provided by the Department of Local Government

3. Note that WALGA has received a report from Deloitte Access Economics reviewing the report into Local Government Finances in Western Australia.

4. Notes and supports WALGA’s intention to endorse the findings of this report and to advocate to the DLGC for the current 7 financial reporting ratios to be reduced to 3 and to encourage and support local Governments to make greater use of borrowings where appropriate.

CARRIED: 5/0

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ARMC1709-3 PURCHASING POLICY

Meeting Date: 12 September 2017
Responsible Officer: Manager Finance
Decision Making Authority: Council
Agenda Attachments: Purchasing Policy SG38

SUMMARY

This City’s Purchasing Policy has recently been reviewed, in order to increase oversight of expenditure, reduce financial risks and ensure ongoing compliance with Section 3.57 of the Local Government Act 1995 (the Act) and Part 4, Division 1 and Division 2 of the Local Government (Functions and General) Regulations 1996 (the Regulations).

This report recommends that Council approve the deletion of the current Purchasing Policy SG38; and adopt the reviewed Purchasing Policy as outlined in the officer’s recommendation.

BACKGROUND

At the meeting of Council on 26 July 2017, Council moved to defer the recommendation for the revised Purchasing Policy to the next Audit and Risk Management Committee to consider the following:

1. The Audit and Risk Management Committee to consider an amendment to Appendix F-Tender Evaluation Criteria for General Goods and Merchandise, section Sustainability. Found on page 158 of the printed agenda. The ARMC consider an amended version to read (two additional lines in italics):

   Sustainability
   
   • Tenders should provide alternative energy sourced plant and equipment to reduce emissions,
   • Tenders to provide information regarding noise levels of plant and equipment when in use,
   • Tenders to provide information regarding the amount of sustainability sourced components in the piece of plant and equipment,
   • Tenders to provide evidence of no single-use plastic in the product, or its packaging,
   • Re-engineered/recycled plastic products will be given priority over other materials.

2. The Audit and Risk Management Committee to recommend to Council the appropriate change to the policy to account for these changes.

The reason for the change to Committee recommendation was:
As a One-Planet-Council we are committed to removing linear plastic use (make-use-throw away) from our organisation and supporting circular plastic use (recycle-re engineer). This amendment is also consistent with the Australian Packaging Covenant Action Plan 2010-2015. A Federal Government initiative also signed by the Western Australian Government.

The policies of the City, determined by Council, as required by Section 2.7(2)(b) of the Local Government Act 1995 (the Act), guide and inform management and the public about key Council principles.

The purpose of the Purchasing Policy is to monitor expenditure appropriately, reduce financial risks and ensure ongoing compliance with s.3.57 of the Act and Part 4, Division 1 and Division 2 of the Local Government (Functions and General) Regulations 1996 (the Regulations) in relation to the Councils purchasing strategy and policy requirements.

The intent of the policy is to ensure the City of Fremantle achieves effective, efficient, economical and sustainable purchasing of all goods and services by:

- Ensuring a high level of transparency, probity and accountability in purchasing decisions, whilst allowing for flexibility in the City’s operations;
- Adopting a “best value” approach to purchasing;
- Conducting competitive quotation and tendering processes in accordance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996; and
- Incorporating the City’s sustainability goals in all purchasing activities.

This policy was last reviewed by Council on 28 September 2016.

The amendments proposed by the City include:

- A summary of the legal requirements underpinning purchasing decisions;
- Changes to the purchase thresholds to improve risk management whilst offering flexibility to the City’s operations;
- Clarification of exemptions to the purchasing policy, when they apply and delegations to apply the exemptions;
- A more streamlined approach to sustainability within purchasing decisions; and
- Providing clear tender weighting criteria.

FINANCIAL IMPLICATIONS

The revised purchasing policy is designed to reduce financial risk by introducing more narrowly defined purchasing thresholds and stating the required number of quotes to be obtained.

The policy also ensures a best value for money approach by directing officers to justify expenditure when not accepting the lowest quotation and requiring management oversight of decision making.
LEGAL IMPLICATIONS

The policy complies with the requirements of section 3.57 of the Local Government Act 1995 and Part 4, Division 1 and Division 2 of the Local Government (Functions and General) Regulations 1996.

CONSULTATION

Nil

OFFICER COMMENT

The proposed policy outlines the City's position in relation to achieving the requirements of Regulation 11A (within Part 4, Division 1) of the Local Government (Functions and General) Regulations 1996 and allows the City to achieve effective, efficient, economical and sustainable purchasing of goods and services.

All officers of the City are expected to observe the highest standards of ethics and integrity in undertaking purchasing activities and act in an honest and professional manner.

Following consultation with elected members, the following amendments have been made;

Appendix F - Tender Evaluation Criteria for General Goods and Merchandise, section Sustainability:

- Tenders should provide alternative energy sources to reduce carbon emissions;
- Tenderer to provide information regarding the amount of sustainably sourced components in the goods;
- Tenderers to provide information on the approximate percentage of single-use plastic contained in the product; and
- Tenderers to confirm they deliver product without packaging or with 100% recyclable packaging (if answer is no – maximum score weighting possible in sustainability category is 4 out of 10).

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required
COMMITTEE AND OFFICER'S RECOMMENDATION

MOVED: Cr D Thompson

Council:

1. Approve deletion of the Council Policy, SG38 Purchasing Policy, adopted by Council 28 September 2016; and

2. Adopt the reviewed Purchasing Policy, as set out below:

Purchasing Policy

Policy statement

This policy has been adopted to achieve the requirements of Regulation 11A of the Local Government (Functions and General) Regulations 1996.

Intent

The intent of the policy is to ensure the City of Fremantle achieves effective, efficient, economical and sustainable purchasing of all goods and services by:

- Ensuring a high level of transparency, probity and accountability in purchasing decisions, whilst allowing for flexibility in the City’s operations;
- Adopting a “best value” approach to purchasing;
- Conducting competitive quotation and tendering processes in accordance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996; and
- Incorporating the City’s sustainability goals in all purchasing activities.

Legislative Requirements

(Summary only; refer to relevant legislation for further detail)

This policy is to be read in conjunction with Section 3.57 of the Local Government Act 1995 and Regulations 11A - 24AJ of the Local Government (Functions and General) Regulations 1996. These statutory requirements cover the following items:

- Section 3.57 of the Act requires the City to give state wide notice of public tenders;
- Regulation 11A sets out the requirement for local governments to have a purchasing policy, the number and type of quotations to be obtained for all purchases up to $150 000 and the retention of written information relating to the quotations;
- Regulations 11 to 21A outline the method of and requirements for calling public tenders. Areas covered includes when tenders have to be publically invited, any exemptions for the requirement to tender, how long tenders...
need to be advertised for, how and when tenders are to be opened and how a local government is to assess and respond to tenders;

- Regulations 21 to 24 outline the procedure for limiting who may provide a tender. The regulations discuss Expressions of Interest (EOI) responding to EOI, shortlisting of respondents to EOI and informing respondents of the outcome of EOI; and
- Regulations 24AA to 24AJ outline the methods and procedures for a local government to initiate and operate panels of pre-qualified suppliers of goods and services.

Statutory Exemptions from Tender Requirements

Regulation 11(2) specifies the criteria when public tenders do not have to be invited. The following list outlines the circumstances where the City is exempted from publicly calling tenders:

- When the purchase is made from expenditure authorised in an emergency (Chief Executive Officer approval required); or
- When the purchase is made through a WALGA Preferred Supplier Program; or
- When the City has (in the last 6 months) publically invited submissions to tender or canvassed for expressions of interest and no suitable supplier was identified through the process; or
- When the contract is to be entered into by auction after being expressly authorised by a resolution of Council; or
- When the goods or services are to be supplied by the Commonwealth Government (or its agencies) or the State Government (or its agencies) or from a Local or Regional Government; or
- When the goods or services are believed to be unique in nature and it is unlikely there is another supplier (sole source – Chief Executive Officer and Director approval required); or
- The goods to be supplied are petrol or oil or any liquid or gas used in internal combustion engines; or
- The purchase is acquired from a person registered on the WA Aboriginal Business Directory, as published by the Small Business Development Corporation, where the consideration under contract is worth $250,000 or less and represents value for money; or
- The purchase is acquired from an Australian Disability Enterprise and represents value for money; or
- The Contract is a renewal or extension of the term of the original contract, where the original contract contained an option to extend; and
- The goods or services are to be supplied by a pre-qualified supplier under Division 3 of the Regulations.

Note: These exemptions to tender do not exempt the purchaser from gaining the required number of quotations and from following the requirements of this policy.
Anti-avoidance

Regulations 12(1) and 12(2) state the City will not enter into two or more contracts, or create multiple purchase order transactions of a similar nature, to avoid the requirement to go to public tender or to take the value of a purchase below a purchasing threshold specified in the policy.

Other legislative requirements

Retention of documents related to purchasing activities is to be in accordance with the requirements of the State Records Act 2000. In particular:

- Tender/quotation documentation.
- Internal documentation.
- Evaluation documentation.
- Enquiry and response documentation.
- Notification, award and Contract documentation;

Is to retained and stored by the city for a period of 21 years.

2. Policy

Purchase thresholds

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<th>Amount of purchase</th>
<th>Quotations Required</th>
<th>Decision Making Process</th>
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<tr>
<td>Up to $499</td>
<td>None</td>
<td>None</td>
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<td>$500 to $4,999</td>
<td>Request 3 quotations and obtain at least one (1) quote. Can be verbal or written.</td>
<td>Lowest priced quote to be accepted or officer to document the best value offer</td>
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<td>$5,000 to $19,999</td>
<td>Request 3 quotations and obtain at least two (2) written quotations</td>
<td>Lowest priced quote to be accepted or officer to document the best value offer</td>
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<td>$20,000 to $149,999</td>
<td>Obtain at least three (3) formal written quotations (RFQ) in consultation with the procurement team.</td>
<td>A written evaluation is to be made of the offers by the requesting officer.</td>
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<td>$150 000 and above</td>
<td>Conduct a full public tender process in accordance with the Local Government Act 1995 and the Local Government (Functions &amp; General) Regulations 1996.</td>
<td>Full written evaluation by an evaluation panel, approval from the Major Procurement Approval (MPA) panel and Chief Executive Officer. In some cases approval from Council will be required.</td>
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Exemptions from Purchasing Policy Thresholds
The following purchasing decisions are exempt from the purchasing thresholds of this policy:

Purchases where costs are:

- Fixed; (e.g. state wide advertising, memberships and subscriptions, taxis / cab charges and some industry based training) or
- Available only through a sole source of supply (e.g. some utilities); and
- From Original Equipment Manufacturers (OEMs) where warranty provisions may be void (e.g. plant and equipment supplies);

- Acts / Entertainers / Artists for festivals and events where it can be demonstrated that the act has appropriate artistic merit and the decision is consistent with the purpose and intent of the event and have no conflicts of interest, up to a value of $9,999. The decision is to be approved by the relevant Director;

- Purchasing of specialist Legal services or specialist Consultancy services, as required and determined by a Director or the Chief Executive Officer, provided their approval is in writing, prior to the purchase, and the details are reported to the Audit and Risk Committee;

- Purchases made from a ‘Panel of Pre-qualified Suppliers’ (must follow the City of Fremantle panel purchasing conditions);

- Exemptions exercised by the Chief Executive Officer are to be reported to the Audit and Risk Committee; and

- In the circumstances of Sole Source providers, for purchases up to $149,999:
  - The procurement of goods and/or services available from only one private sector source of supply, (that is the manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there is reasonable evidence that there is genuinely only one source of supply. Every endeavour to find alternative sources must be made.
  - Written confirmation of this must be kept on file for later audit.
  - The application of provision ‘sole source of supply’ must only occur in limited cases and procurement experience indicates that generally more than one supplier is able to provide the requirements.
  - The decision to purchase goods or services from a sole supplier must be approved, in writing, by the Chief Executive Officer
  - The decision to procure goods or services from a sole source provider must be reported to the Audit and Risk Committee

- In the circumstances of Sole Source providers, for purchases over $150,000:
  - The decision to purchase goods or services from a sole supplier for a value exceeding $150,000 must be approved, in writing, by the Chief Executive Officer;
  - The decision to purchase from a sole source must be reported to the Audit and Risk Committee for probity and transparency.
3. Panels of Pre-qualified suppliers

In accordance with Regulation 24AC of the Local Government (Functions and General) Regulations 1996, a Panel of Pre-qualified Suppliers (“Panel”) may be created where most of the following factors apply:

- The Chief Executive Officer determines that a range of similar goods and services are required to be purchased on a continuing and regular basis.
- There are numerous potential suppliers in the local and regional procurement-related market sector(s) that satisfy the test of ‘value for money’.
- The purchasing activity under the intended Panel is assessed as being of a low to medium risk.
- The Panel will streamline and will improve service delivery and procurement processes.
- The Chief Executive Officer has the capability to establish, manage the risks and achieve the benefits expected of the proposed Panel.

The Chief Executive Officer will endeavour to ensure that panels will not be created unless most of the above factors are firmly and quantifiably established. A separate policy will outline the operation of Panels of Pre-Qualified Suppliers.

4. Ethics and Integrity

All officers and employees of the City of Fremantle are to observe the highest standards of ethics and integrity in undertaking purchasing activities and act in an honest and professional manner that supports the standing of the City. Further detail regarding the City’s expectations can be found in the City’s Code of Conduct.

*An Independent Probity Auditor will be engaged by the City for projects assessed as high risk of reputational, financial or community risk, through the project risk assessment process.*

5. Value for Money

When evaluating quotations and tenders value for money is an overarching principle governing the purchasing of goods and services for the City. For purchases $5,000 and above, where a higher priced conforming offer is recommended for purchase, there should be clear and demonstrable benefits to the City over and above the lowest priced, conforming offer. A written evaluation outlining the clear and demonstrable benefits should be approved by a Manager, before the purchase is made.
6. Sustainable Procurement

A preference will be provided to suppliers that demonstrate sustainable business practices and high levels of Corporate Social Responsibility (CSR). Where it is appropriate and practicable, an advantage will be provided to suppliers demonstrating that they minimise environmental and negative social impacts and embrace CSR. Sustainable and CSR considerations will be balanced against value for money outcomes in accordance with the City’s sustainability objectives. All Requests for Tender (RFT) will have a minimum weighted score of 10% for sustainable criteria. Tender specifications will include a requirement for organisations to comply with the principles of No Business in Abuse and include sustainable specifications within the request.

*Where practical, it is the City’s preference to purchase goods with no single use plastic in its content or packaging.*

Appendix A – Tender Evaluation Criteria

Construction Works

Definition: All infrastructure projects such as building, demolition, roads, car parks, footpaths, drainage, park and bridge construction.

<table>
<thead>
<tr>
<th>Description of Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Criteria</td>
<td></td>
</tr>
<tr>
<td>Tenders submitted by the due date and time prescribed in the tender documentation</td>
<td>Mandatory criteria must be addressed, no weighting applied. Failure to meet mandatory criteria will remove responses from consideration</td>
</tr>
<tr>
<td>Submitted mandatory requirements (as specified e.g. conditions of contract, OSH questionnaire, Insurances, Gantt Charts, Price Schedule, Financial information)</td>
<td></td>
</tr>
<tr>
<td>Qualitative Selection Criteria</td>
<td>Default Range</td>
</tr>
<tr>
<td>Relevant Experience / Service Delivery Plan</td>
<td></td>
</tr>
<tr>
<td>Demonstrated relevant experience of the Company in providing the same or similar services to local government or private sectors for the last 5 years.</td>
<td>10%</td>
</tr>
<tr>
<td>Include the following</td>
<td>10% – 15%</td>
</tr>
<tr>
<td>Key Personnel, Skills and Resources</td>
<td></td>
</tr>
<tr>
<td>Capacity to deliver the services including:</td>
<td></td>
</tr>
</tbody>
</table>

Page 19
### Key Personnel / Professional Skills

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualifications</th>
<th>Years in Industry</th>
<th>Roles and Responsibility</th>
<th>Experience</th>
</tr>
</thead>
</table>

15% 10% - 20%

### Organisational / Project Team Structure

- Contingency
- Current utilisation
- Support facilities
- Plant & Equipment
- Financial Capacity (credit reference check may be applied)

### Demonstrated Understanding

- Tenders should provide a detailed methodology detailing the process to achieve the Requirements of the Specification for this project.
- Include a detailed Risk / Environmental Management Plan to protect the environment which is appropriate to the size and nature of the project.
- Provide a detailed GANTT Chart with the tasks required to undertake the project in a specified timeframe.

20% 10% - 30%

### Sustainability

- Tenderers should outline the source of materials of construction and their environmental performance / impact.
- Tenderers should provide methods for reducing the amount of construction material waste sent to landfill.
- Tenderers should provide information on the environmental performance of their building/construction activities during project delivery.

10% 10%-20%

### Occupational Health & Safety (OH&S)

10% 10%

### Price

35% 25% - 50%

### Total

100% 100%

### Appendix B – Tender Evaluation Criteria

#### Professional and Consultant Services

**Definition:** Delivery of legal, accounting, auditing, governance or similar services. The services may be delivered as a one-off or on an ongoing basis.
### Description of Criteria

<table>
<thead>
<tr>
<th>Compliance Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenders submitted by the due date and time prescribed in the tender documentation</td>
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</tr>
<tr>
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</tr>
</tbody>
</table>

### Qualitative Selection Criteria

<table>
<thead>
<tr>
<th>Relevant Experience / Service Delivery Plan</th>
<th>Default</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demonstrated relevant experience of the Company in providing the same or similar services to local government or private sectors for the last 5 years.</td>
<td>10%</td>
<td>10% – 20%</td>
</tr>
</tbody>
</table>

Include the following

<table>
<thead>
<tr>
<th>Project</th>
<th>Client</th>
<th>Duration</th>
<th>Value</th>
<th>Deliverables</th>
<th>Results</th>
</tr>
</thead>
</table>

#### Key Personnel, Skills and Resources

Capacity to deliver the services including:

<table>
<thead>
<tr>
<th>Key personnel / Professional skills</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name Qualifications</td>
<td>Years in industry</td>
</tr>
<tr>
<td>Name Qualifications</td>
<td>Years in industry</td>
</tr>
</tbody>
</table>

#### Organisational / Project Team Structure

<table>
<thead>
<tr>
<th>Contingency</th>
<th>Capacity to deliver the services including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current utilisation</td>
<td>Support facilities</td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>Financial Capacity (credit reference check may be applied)</td>
</tr>
</tbody>
</table>

#### Demonstrated Understanding

Tenders should provide a detailed methodology detailing the process to achieve the Requirements of the Specification for this project.

Include a detailed Risk / Environmental Management Plan to protect the environment which is appropriate to the size and nature of the project.

Provide a detailed GANTT Chart with the tasks required to undertake the project in a specified timeframe

<table>
<thead>
<tr>
<th>Occupational Health &amp; Safety (OH&amp;S)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
Note: Weightings may only be amended outside of these parameters by written consent of the relevant Director or CHIEF EXECUTIVE OFFICER. Weightings are to be established before going to tender.

Appendix C – Tender Evaluation Criteria

Architectural Services

Definition: Delivery of architectural design, heritage, planning or similar services. The services may be delivered as a one-off or on an ongoing basis.

<table>
<thead>
<tr>
<th>Description of Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Criteria</td>
<td></td>
</tr>
<tr>
<td>Tenders submitted by the due date and time prescribed in the tender documentation</td>
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<td>Submitted mandatory requirements (as specified e.g. conditions of contract, OSH questionnaire, Insurances, Gantt Charts, Price Schedule, Financial information)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualitative Selection Criteria</th>
<th>Default</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant Experience / Service Delivery Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demonstrated relevant experience of the Company in providing the same or similar services to local government or private sectors for the last 5 years.</td>
<td>10%</td>
<td>10% – 20%</td>
</tr>
<tr>
<td>Include the following</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project</th>
<th>Client</th>
<th>Duration</th>
<th>Value</th>
<th>Deliverables</th>
<th>Results</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Key Personnel, Skills and Resources Capacity to deliver the services including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key personnel / Professional skills</td>
</tr>
<tr>
<td>Name</td>
</tr>
<tr>
<td>------</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organisational / Project Team Structure</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingency</td>
<td>15%</td>
<td>10% - 20%</td>
</tr>
<tr>
<td>Current utilisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Capacity (credit reference check may be applied)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Demonstrated Understanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenders should provide a detailed methodology detailing the process to achieve the Requirements of the Specification for this project.</td>
</tr>
</tbody>
</table>
Include a detailed Risk / Environmental Management Plan to protect the environment which is appropriate to the size and nature of the project. Provide a detailed GANTT Chart with the tasks required to undertake the project in a specified timeframe.

<table>
<thead>
<tr>
<th>Sustainability</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenderers should outline the source of materials of construction and their environmental performance / impact</td>
<td>10%</td>
</tr>
<tr>
<td>Tenderers should provide methods for reducing the amount of construction material waste sent to landfill</td>
<td>10% - 15%</td>
</tr>
<tr>
<td>Tenderers should provide information on the environmental performance of their building/construction activities during project delivery.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Occupational Health &amp; Safety (OH&amp;S)</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Price</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>25% - 50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Appendix D – Tender Evaluation Criteria

**Professional and Consultant Services**

**Definition:** All services with the exception of Professional Services (see Appendix A) and Architectural Services (see Appendix C). For example traffic impact reports, environmental reports etc. The services may be delivered as a one-off or on an ongoing basis.

<table>
<thead>
<tr>
<th>Description of Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Criteria</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualitative Selection Criteria</th>
<th>Default</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant Experience / Service Delivery Plan</td>
<td>15%</td>
<td>10% – 20%</td>
</tr>
<tr>
<td>Demonstrated relevant experience of the Company in providing the same or similar services to local government or private sectors for the last 5 years.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Include the following</td>
<td>Project</td>
<td>Client</td>
</tr>
</tbody>
</table>
Key Personnel, Skills and Resources
Capacity to deliver the services including:

<table>
<thead>
<tr>
<th>Key personnel / Professional skills</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Qualifications</td>
<td>Years in industry</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Organisational / Project Team Structure
Contingency
Current utilisation
Support facilities
Plant & Equipment
Financial Capacity (credit reference check may be applied)

Demonstrated Understanding
Tenders should provide a detailed methodology detailing the process to achieve the Requirements of the Specification for this project.
Include a detailed Risk / Environmental Management Plan to protect the environment which is appropriate to the size and nature of the project
Provide a detailed GANTT Chart with the tasks required to undertake the project in a specified timeframe

<table>
<thead>
<tr>
<th>Occupational Health &amp; Safety (OH&amp;S)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Note:** Weightings may only be amended outside of these parameters by written consent of the relevant Director or CHIEF EXECUTIVE OFFICER. Weightings are to be established before going to tender.
Appendix E – Tender Evaluation Criteria
Plant and Equipment

**Definition:** All light vehicles, fleet vehicles, heavy vehicles, earthmoving and ground care machinery plus ancillary equipment such as mechanical saws and static pumps.

<table>
<thead>
<tr>
<th>Description of Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compliance Criteria</strong></td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td><strong>Qualitative Selection Criteria</strong></td>
<td></td>
</tr>
<tr>
<td>Meets Technical Specification</td>
<td></td>
</tr>
<tr>
<td>Tenderer to provide evidence that the piece of plant or equipment meets or exceeds the technical specification and functional requirements of the City.</td>
<td>40%</td>
</tr>
<tr>
<td>Meets the City’s Delivery Timeframes</td>
<td></td>
</tr>
<tr>
<td>Tenderer to provide a timeframe for delivery to the City, from Contract award</td>
<td>5%</td>
</tr>
<tr>
<td>Sustainability</td>
<td></td>
</tr>
<tr>
<td>Tenders should provide alternative energy sourced plant or equipment to reduce emissions</td>
<td>10%</td>
</tr>
<tr>
<td>Tenderer to provide information regarding noise levels of plant and equipment when in use</td>
<td></td>
</tr>
<tr>
<td>Tenderer to provide information regarding the amount of sustainably sourced components in the piece of plant or equipment</td>
<td></td>
</tr>
<tr>
<td>Occupational Health &amp; Safety (OH&amp;S)</td>
<td>10%</td>
</tr>
<tr>
<td>Price</td>
<td>35%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Note:** Weightings may only be amended outside of these parameters by written consent of the relevant Director or CHIEF EXECUTIVE OFFICER. Weightings are to be established before going to tender.
## Appendix F – Tender Evaluation Criteria
### General Goods and Merchandise

**Definition:** All other goods, stores and merchandise, not otherwise covered in previous appendices.

<table>
<thead>
<tr>
<th>Description of Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compliance Criteria</strong></td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualitative Selection Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant Experience / Service Delivery Plan</td>
</tr>
<tr>
<td>Demonstrated relevant experience of the Company in providing the same or similar services to local government or private sectors for the last 5 years.</td>
</tr>
<tr>
<td>Include the following</td>
</tr>
<tr>
<td>Key Personnel, Skills and Resources Capacity to deliver the services including:</td>
</tr>
<tr>
<td>Key personnel / Professional skills</td>
</tr>
<tr>
<td>Name</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Organisational / Project Team Structure Contingency Current utilisation Support facilities Financial Capacity (credit reference check may be applied)</td>
</tr>
<tr>
<td>Demonstrated Understanding Tenders should provide a detailed process to achieve the Requirements of the Specification Tenderers should provide a process that will deliver the sustainable goals of the City Provide a detailed GANTT Chart with the tasks required to undertake the project in a specified timeframe</td>
</tr>
</tbody>
</table>
Sustainability

| Tenders should provide alternative energy sources to reduce carbon emissions | 10% |
| Tenderer to provide information regarding the amount of sustainably sourced components in the goods |  |
| Tenders to provide information on the approximate percentage of single-use plastic contained in the product |  |
| Tenderer to confirm they deliver product without packaging or with 100% recyclable packaging (if answer is no – maximum score weighting possible in sustainability category is 4 out of 10) |  |

Occupational Health & Safety (OH&S) | 10% |
Price | 50% |
Total | 100% |

Note: Weightings may only be amended outside of these parameters by written consent of the relevant Director or CHIEF EXECUTIVE OFFICER. Weightings are to be established before going to tender.

CARRIED: 5/0

<table>
<thead>
<tr>
<th>For</th>
<th>Against</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cr Doug Thompson</td>
<td></td>
</tr>
<tr>
<td>Cr Andrew Sullivan</td>
<td></td>
</tr>
<tr>
<td>Cr Jeff McDonald</td>
<td></td>
</tr>
<tr>
<td>Cr Rachel Pemberton</td>
<td></td>
</tr>
<tr>
<td>Mr Phillip Draber</td>
<td></td>
</tr>
</tbody>
</table>

Note: The Committee raised two issues for consideration either at the next review of this Policy or for inclusion of the Council meeting agenda if possible;

1. A note to ensure the consideration to reduce or eliminate single use plastic is considered in all purchases.

2. The provision of use of a probity Auditor on significant purchases.
ARMC1709-4  AMENDMENT TO AUDIT AND RISK MANAGEMENT COMMITTEE 
TERMS OF REFERENCE

Meeting Date: 12 September 2017
Responsible Officer: Manager Governance
Decision Making Authority: Council

SUMMARY

The Audit Committee is specifically required under section 7.1 of the Local Government Act 1995. In anticipation of the upcoming election, and the legislated expiry of all memberships to committees, the City has reviewed the terms of reference for the Audit and Risk Management Committee (ARMC).

The terms have been reviewed in line with the Department of Local Governments recommended pro forma, recommended as best practise, which includes matters such as the governing legislation, membership, primary roles and responsibilities of the committee and ancillary functions.

The additional amendments recommended by the committee at the March 2017 meeting have also been retained.

This report recommends that Council adopt the amended terms of reference for the Audit and Risk Management Committee and the consideration of the appointment of one external member or the use of occasional independent experts.

BACKGROUND

The Local Government Act 1995 (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions. A clear and comprehensive ‘terms of reference’, setting out the committee’s roles and responsibilities, is essential.

The relevant parts of the Act and regulations that relate to audit requirements, audit committees and their functions are listed below.

Financial Management

In relation to financial management under Part 6 of the Act, a local government is to –

a) prepare and adopt an annual budget in the form and manner prescribed (section 6.2). A copy of the budget is to be sent to the Department within 30 days of adoption.

b) prepare an annual financial report and such other financial reports as prescribed. The accounts of the local government and annual financial report are to be submitted to the auditor for audit by 30 September (section 6.4).
c) have a municipal fund and a separate and distinct trust fund (section 6.6).

d) establish and maintain reserve funds for the holding of monies set aside for future use (section 6.11).

Audit Requirements for Local Governments

Part 7 of the Act and the Local Government (Audit) Regulations 1996 (the Regulations) address the situation of audit. In relation to the duties of the local government with respect to audits –

a) the local government is to do everything in its power to –
   i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and
   ii. ensure that audits are conducted successfully and expeditiously;

b) a local government is to meet with its auditor at least once in every year;

c) a local government is to examine the report of the auditor and is to –
   i. determine if any matters raised require action to be taken by the local government; and
   ii. ensure that appropriate action is taken in respect of those matters;

d) a local government is to –
   i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
   ii. forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.

Membership

The Act requires that an audit committee is to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the Council. If a Council considers it appropriate, the whole Council can be appointed to the audit committee.

The current terms of reference provide for one external member to be appointed. This membership has been amended in this review to consider the use of independent topic experts on an occasional basis instead of a full time member. Council may want to consider how this option is to be exercised with the appointment of the committee post the 21 October 2017 election. This may be achieved by having the post-election Audit and Risk Committee consider this option as one of the first items of business for this committee.

If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

An audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local...
government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council.

The deliberations and recommendations of the committee must be independent and autonomous. Therefore, the Act prohibits the CEO being a member of the committee. However, it is essential that the CEO be given every opportunity to provide advice to the committee.

Tenure of committee membership

1. Where a person is appointed as a member of a committee in their capacity as the Mayor, the person’s membership of the committee continues until —

   a) the person no longer holds the office by virtue of which the person became a member; or
   b) the person resigns from membership of the committee; or
   c) the committee is disbanded; or
   d) the next ordinary elections day,

   whichever happens first.

2. Where a person is appointed as a member of a committee other than in their capacity as the Mayor, the person’s membership of the committee continues until:

   a) the term of the person’s appointment as a committee member expires; or
   b) the local government removes the person from the office of committee member or the office of committee member otherwise becomes vacant; or
   c) the committee is disbanded; or
   d) the next ordinary elections day,

   whichever happens first.

Operation of the Committee

Irrespective of the membership of the committee, all legislative requirements relating to committee meetings such as advertising meeting dates, notice of meeting and keeping minutes of meetings need to be complied with.

The legislation prevents a meeting fee being paid to an external person but it is permissible for a payment to be made as a reimbursement of expenses, commensurate with the expertise and knowledge such people bring to the committee. The Council will need to determine whether payment will be offered and the level of that reimbursement payment.

FINANCIAL IMPLICATIONS

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


CONSULTATION

Nil.

OFFICER COMMENT

The Audit and Risk Management Committee Terms of Reference underwent a minor review, in March 2017, which included the addition of relevant clauses; these clauses have been retained at this review.

A further and more thorough review has now been undertaken to ensure best practise considerations are considered in the development of the Terms of Reference and to ensure the Committee is operating within the parameters of the applicable legislation.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

OFFICER'S RECOMMENDATION

Council;

1. Adopts the amended Terms of Reference for the Audit and Risk Management Committee included below; and
2. Requests the first item of business for the Audit and Risk Committee post-election be to determine the appointment of one external member or the use of occasional independent expert advice in accordance with clause 3.2 of the amended Terms of Reference.

Audit and Risk Management Committee (ARMC)

1. OBJECTIVES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government’s auditor so that Council can be satisfied with the performance of the local government in managing its affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government’s affairs, determining the local government’s policies and overseeing the allocation of the local government’s finances and resources. The committee will ensure openness in the local government’s financial
reporting and will liaise with the CEO to ensure the effective and efficient management of the local government’s financial accounting systems and compliance with legislation.

The committee is to facilitate –

a) the enhancement of the credibility and objectivity of internal and external financial reporting;

b) effective management of financial and other risks and the protection of Council assets;

c) compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;

d) the coordination of the internal audit function with the external audit; and

e) the provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

2. POWERS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

2.1 The committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

2.2 The committee is a formally appointed committee of the Council and is responsible to the Council.

2.3 The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility.

2.4 The committee does not have any management functions and cannot involve itself in management processes or procedures.

3. MEMBERSHIP

3.1 The committee will be made up of a minimum of the following members:

a) Mayor (as ex-officio), and

b) 3 Councillors

3.2 The committee may also appoint 1 external independent member. The Council may choose to allow the committee to seek independent expert advice on an as needs basis rather than appointing an external member.

3.3 The external independent member will be selected based on the following criteria:

a) 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.

3.4 The external independent member will be a person with no operating responsibilities with the City of Fremantle, nor will that person provide paid services to the City either directly or indirectly.
3.5 Appointments of the external independent person will be made following a public advertisement period. The evaluation of potential members will be reviewed by the CEO and appointments will be approved by Council.

3.6 Council may terminate the appointment of any member prior to the expiry of his/her term, if:
   a) Council considers that the member is not making a positive contribution to the committee; or
   b) The member is found to be in breach of the City of Fremantle Code of Conduct or a serious contravention of the Local Government Act 1995; or
   c) The member’s conduct, action or comments brings the City of Fremantle into disrepute.

3.7 The CEO or their nominee is to attend all meetings to provide advice and guidance to the committee; however the CEO and employees are not members of the committee.

3.8 The City shall provide secretarial and administrative support to the committee.

3.9 Membership shall be for a period of up to 2 years terminating on the day of the Ordinary Council Elections.

3.10 The external member (if appointed) will be entitled to receive reimbursement of reasonable expenses to a maximum of $250 per meeting.

3.11 Members will be provided with appropriate training and professional development to be determined by the committee and provided that adequate funds are available in the Council budget for this purpose.

4. CHAIRPERSON

4.1 The position of Chairperson shall be appointed by a vote of the committee following a call for nominations for the position.

5. MEETINGS

5.1 The Committee shall meet every second month, on specific dates to be advised and more regularly as required at the discretion of the Chairperson.

5.2 Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

6. QUORUM AND REDUCTION OF

As per s5.15 and 519 of the Local Government Act 1995, the quorum for a meeting of a council or committee is at least 50% of the number of offices (whether vacant or not) of members of the committee.

The local government may reduce, by absolute majority; the number of offices of committee member required for a quorum at a committee meeting specified by the local government if there would not otherwise be a quorum for the meeting.
7. **DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the committee will be to:

- **7.1** Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;

- **7.2** Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government’s auditor;

- **7.3** Develop and recommend to Council –
  - a) a list of those matters to be audited; and
  - b) the scope of the audit to be undertaken;

- **7.4** Recommend to Council the person or persons to be appointed as auditor;

- **7.5** Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include –
  - a) the objectives of the audit;
  - b) the scope of the audit;
  - c) a plan of the audit;
  - d) details of the remuneration and expenses to be paid to the auditor; and
  - e) the method to be used by the local government to communicate with, and supply information to, the auditor;

- **7.6** Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;

- **7.7** Liaise with the CEO to ensure that the local government does everything in its power to –
  - a) assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995; and
  - b) ensure that audits are conducted successfully and expeditiously;

- **7.8** Examine the reports of the auditor after receiving a report from the CEO on the matters to –
  - a) determine if any matters raised require action to be taken by the local government; and
  - b) ensure that appropriate action is taken in respect of those matters;

- **7.9** Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;

- **7.10** Review the scope of audit plans and programs and their effectiveness;
7.11 Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;

7.12 Review the level of resources allocated to internal audit and the scope of its authority;

7.13 Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;

7.14 Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;

7.15 Review the local government’s draft annual financial statements, focusing on –
   a) accounting policies and practices;
   b) changes to accounting policies and practices;
   c) the process used in making significant accounting estimates;
   d) significant adjustments to the financial report (if any) arising from the audit process;
   e) compliance with accounting standards and other reporting requirements; and
   f) significant variances from prior years.

7.16 Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the Annual Report is signed;

7.17 Address issues brought to the attention of the committee, including responding to requests from Council for advice within the parameters of the committee’s terms of reference;

7.18 Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee’s terms of reference following authorisation from the Council;

7.19 Review the annual Compliance Audit Return and report to the council the results of that review;

7.20 Consider biennial reviews of the appropriateness and effectiveness of the local government’s systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

7.21 Consider reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly and not less than once in every 4 financial years and report to Council on the results of these reviews.

7.22 Undertake a risk assessment of major projects i.e. Local Government Reform, Kings Square Redevelopment etc.
7.23 Review and make recommendations on probity, compliance, and governance to the Council regarding procurement.

7.24 Establish a framework, process and tools regarding the performance evaluation of the Chief Executive Officer and review recommendations of the Chief Executive Officer’s performance.

7.25 Review and make recommendations to the Council regarding strategic risk management, identifying as appropriate, strategic risks for more detailed review and response and advising on policy and objectives.

8. SUSPENSION OF COMMITTEE

Suspension or termination of the Committee may be at the discretion of Council.

9. COMMITTEE DECISIONS

This Committee does not have any decision making authority and therefore may only make recommendations to Council for consideration.

10. History of Council Resolutions

C3 - 14 May 2001
C0305-18 – 19 May 2003
AC1403-6 – 26 March 2014
AC10703-1 – 22 March 2017

11. Officer(s) Responsible for Management of Committee

Manager Finance
Director City Business

COMMITTEE RECOMMENDATION

Cr D Thompson MOVED to defer the item to the next appropriate Audit and Risk Management Committee meeting.

CARRIED: 5/0

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REASON/S FOR CHANGE TO OFFICER'S RECOMMENDATION

This item was deferred to allow committee more time to consider the amendments made to the term of reference.
ARMC1709-5  Related Party Disclosures Policy Report

Meeting Date: 12 September 2017
Responsible Officer: Manager Finance
Decision Making Authority: Council
Agenda Attachments: Related Party Disclosures Policy

SUMMARY

The scope of AASB 124 Related Party Disclosures was extended in July 2015 to include application by not-for-profit entities, including local governments. The operative date for local government is 1 July 2016, with the first disclosures to be made in the Financial Statements for year ended 30 June 2017.

Local governments must disclose certain related party relationships and related party transactions together with information associated with those transactions in its annual financial report in order to comply with Australian Accounting Standard AASB 124.

This is a requirement specified by the Australian Accounting Standard and is different from the Disclosure of Interest and Gift and Travel Disclosure requirements that are imposed under the Local Government Act 1995 and associated Regulations.

This report recommends that Council adopt the Related Party Disclosures Policy as outlined in the officer’s recommendation.

BACKGROUND

The policies of the City, determined by Council, as required by Section 2.72(2)(b) of the Local Government Act 1995, guide and inform management and the public about key Council principles.

At the meeting Information for Elected Members on 14 August 2017, Council was presented with information on AASB 124 Related Party Disclosures; the purpose, related party key definitions, disclosure requirements and exclusions. A policy has now been developed for the Audit and Risk Management Committee to consider.

The purpose of the newly created Related Party Disclosure Policy is to ensure that the existence of certain related party relationships, related party transactions and information about the transactions, necessary for users to understand the potential effects on the Financial Statements are properly identified, recorded and disclosed in Council’s Annual Financial Statements in order to meet compliance with AASB 124.

FINANCIAL IMPLICATIONS

The newly created Related Party Disclosure Policy will have nil budget implications on Council. It is designed to ensure compliance with the Australian Accounting Standards.
LEGAL IMPLICATIONS

AASB 124 Related Party Disclosures
Local Government Act 1995
Local Government (Financial Management) Regulations 1996

CONSULTATION

Nil

OFFICER COMMENT

The policy sets out the steps required to implement and comply with AASB 124. In summary:

1. Establish a system to identify and record related parties
2. Identify Ordinary Citizen Transactions that will not be disclosed
3. Establish a system to identify and record related party transactions and related terms and conditions
4. Assess materiality of transactions captured
5. Make disclosure in Annual Financial Report

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

COMMITTEE AND OFFICER’S RECOMMENDATION

MOVED: CR D THOMPSON

Council:

1. Adopt the Related Party Disclosures Policy, as set out below:

Related Party Disclosures Policy

Policy statement

This policy has been adopted to comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

Policy scope

The objective of the policy is to ensure that the existence of certain related party relationships, related party transactions and information about the transactions, necessary for users to understand the potential effects on the Financial Statements are properly identified, recorded and disclosed in Council’s Annual Financial Statements in compliance with AASB 124.

Council in complying with disclosure requirements in AASB 124, will;
1. Identify related party relationships, related party transactions and ordinary citizen transactions;
2. Identify information about the related party transactions for disclosure;
3. Establish systems to capture and record the related party transactions and information about those transactions;
4. Identify the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required; and
5. Determine the disclosures to be made about those items in the Annual Financial Statements for the purpose of complying with AASB 124.

Procedures

1. Disclosures

To comply with AASB 124, from reporting period ending 30 June 2017, Council will make the following disclosures in the Annual Financial Statements:

1.1 Key Management Personal (KMP) Compensation in aggregate and for each of the following categories:
   a) Short-term employee benefits
   b) Post-employment benefits
   c) Other long-term benefits
   d) Termination benefits

1.2 Relationships between council and its subsidiaries, irrespective of whether there have been transactions between them.

1.3 Amounts incurred by council for the provision of KMP services that are provided by a separate management entity.

1.4 Where related party transaction have occurred (this is for all categories of related parties including related entities, KMPs, KMPs’ close family member/controlled entities and any other related parties council has identified):
   a) The nature of the related party relationship;
   b) Information about the transactions, outstanding balances and commitments including terms and conditions;*

1.5 Separate disclosure for each category of related party.

*In respect to the 1.4(b), the types of transactions disclosed can include:

- Purchase/sales and lease of goods, property and other assets
- Supplying or receiving of goods, services, property and other assets.
- Guarantees given or received
- Commitments
- Loans and settlements of liabilities
- Expense recognised during the period in respect of bad debts
- Provisions for doubtful debts relating to outstanding balances.
2. Identifying Related Party Relationships with KMP and their close family members

2.1 Related Party Disclosures Form

KMP must provide a related party disclosure in the form set out in Attachment A, notifying any existing or potential related party transactions between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members, subject to Section 2.2, to the Manager Finance by no later than the following periods during a financial year:

   a) 30 days after the commencement of the application of this Policy;
   b) 30 days after a KMP commences their term or employment with Council;
   c) 30 June each year.

If a KMP suspects that a transaction may constitute a related party transaction, the KMP should include the related party disclosure to the Manager Finance for consideration and determination.

2.2 Exclusions

The notification requirements in Section 2.1 do not apply to:

   a) Related party transactions that are ordinary citizen transactions (not assessed as being material) as determined under Section 3 and
   b) Elected Members expenses incurred during the financial year under Council’s Elected Member allowances and entitlement policy, the particulars of which are contained in Council’s Annual Financial Statements.

3. Ordinary Citizen Transactions

Council have determined that the following transactions with related parties do not need to be captured or reported as these transactions are considered to be not material in nature:

   • Paying rates and council fees and charges
   • Fines on normal terms and conditions
   • Use of Council owned facilities such as Fremantle Leisure Centre, Fremantle Art Centre, Parking, Samson Recreation Centre, Civic Centre, library, parks, ovals and other public open spaces after paying the normal fee
   • Attending council functions that are open to the public

The Finance Manager is responsible for reviewing and assessing the materiality of related party transactions that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the Financial Statements. As a general rule, Council will utilise $10,000 as the threshold for materiality.
Definitions and abbreviations

For the purposes of determining the application of the standard, the Council has identified the following persons or entities as meeting the definition of Related Party:

1. Key Management Personnel
   - Elected Members
   - Chief Executive Officer
   - Directors

2. Close family members

In relation to a KMP, family members who may be expected to influence, or be influenced by that KMP in their dealings with Council will include:

- a child, spouse or defacto partner;
- children of your spouse or defacto partner;
- dependents of you or your spouse or defacto partner;
- any other close family member;

For the purpose of AASB 124, close family members would include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

3. Control in entities

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

Control an entity is present when there is:

- a) power over the entity;
- b) exposure, or rights, to variable returns from involvement with the entity; and
- c) the ability to use your power over the entity to affect the amount of your returns.

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

4. Entities related to Council

A council related entity is an entity controlled or jointly controlled by council or over which council has significant influence, such as regional council and regional subsidiaries.
CARRIED: 5/0

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UPDATE OF ACTION TAKEN FROM THE 2016 COMPLIANCE AUDIT RETURN

Responsible Officer: Manager Governance
Agenda Attachments: Nil

The 2016 Compliance Audit Return (CAR) was completed by an independent auditor and presented to the Audit and Risk Management Committee on 15 March 2017 for consideration and forwarded to the Council meeting held on 22 March 2017 for adoption.

Following the CAR officers set out to make improvements in accordance with the auditor's recommendations, some of these improvements included implementing new systems, developing and implementing new procedures and providing education to officer's involved in the main functions audited each year within the CAR.

Officers have provided an update comment for each issue raised in the auditor's report, as follows;

Summary of issue raised by auditor
One (1) Primary Return was not submitted within three (3) months of the officer’s start date and was not submitted until five months after his start date, two months outside the required submission period.

Summary of the auditor's recommended corrective action
The City is required to notify the CCC and the Department of Local Government and Communities (DLGC) regarding a return that has not been submitted. The notification should include the reason for the compliance failure and whether it was attributable to unavoidable circumstances.

Officer's response (action taken)
Following the audit, the City notified the CCC of the returns not received and has continued to report late returns to the CCC and the Department as they arise. In order to reduce the risk of non-compliance in this area the Governance Team have developed procedures to ensure the correct processes are followed.

Summary of issue raised by auditor
The City was unable to locate any records to establish that the Council was informed in relation to two proposals during 2016 to employ a designated senior employee.

Summary of the auditor's recommended corrective action
The City introduces process improvements in this area to ensure the recruitment (or dismissal) of senior employees includes a documented procedure for informing Council.
### Officer's response (action taken)

Officers have developed a Designation of Senior Employees Policy, to be presented to the FPOL Committee in September and forwarded to Council for final adoption. The intent of the policy is to formally capture the designation of senior employees. If the policy is adopted by Council, internal procedures will be developed to address the process for designating and dismissing senior employee in accordance with the Act.

### Summary of issue raised by auditor

There were three (3) instances where repeat contracts were awarded via RFQ's and the total consideration exceeded $150,000.

### Summary of the auditor's recommended corrective action

It is recommended that this situation be monitored on a quarterly basis to assess the effectiveness of the new processes for tendering.

### Officer's response (action taken)

The Procurement team now run a monthly report to provide advance warning of levels of expenditure to capture potential issues before they arise.

### Summary of issue raised by auditor

On a number of instances, the authority to tender was initiated by an officer who did not have a delegation to authorise a tender.

### Summary of the auditor's recommended corrective action

The City has advised that a new process for authorising tenders has now been implemented to ensure compliance with the Delegations of Authority Register.

### Officer's response (action taken)

New forms are in use to ensure Director approval to tender as per the Delegated Authority Register. New delegations for tendering were adopted by Council 28 June 2017 in the DAR review (Item: FPOL1706-14, ECM: 3320010)

### Summary of issue raised by auditor

There is no documented process for opening tenders.

### Summary of the auditor's recommended corrective action

While there were no identified instances of non-compliance with the F&G Reg 16, documenting the process would ensure clarity when opening tenders.

### Officer's response (action taken)

A procedure is currently under development for the process of opening tenders.

### Summary of issue raised by auditor

The form used by the City to record details in the Tenders Register was not consistently completed and in many instances, the information required to be recorded on the form was omitted.

### Summary of the auditor's recommended corrective action
Monitor these forms to ensure there is a consistent approach to the recording of information.

**Officer's response (action taken)**
As recommended new procedures ensure that the forms are monitored and updated on a monthly basis to ensure compliance.

**Summary of issue raised by auditor**
Inaccuracy found in the Council minutes dated 27 April 2016. The disclosures of interests by members were recorded incorrectly.

**Summary of the auditor's recommended corrective action**
It is suggested the City confirm the circumstances and amend the Minutes accordingly. For audit purposes it was concluded that both councillors declared their interests correctly and left the meeting.

**Officer's response (action taken)**
Upon further investigation, it was found that there was a (minor) administrative error in the minutes that did not require a Council amendment. The minutes have since been amended and for future reference, the changes made have been noted in the document accordingly.

**Summary of issue raised by auditor**
In relation to Disposal of Property, there were a substantial number of dispositions (plant and equipment) made during the year that were exempt dispositions under s.3.58 of the LG Act and are not relevant to the questions included in the CAR, however were identified as being ‘scrapped’ but no supporting information was available which identified when, how and why the property was scrapped.

**Summary of the auditor's recommended corrective action**
It was recommended that the City ensure that items are not simply listed as ‘scrapped’ without proper enquiries being made and detailed information included in the City’s records of dispositions of this nature.

**Officer's response (action taken)**
Procedure for assets management including assets disposal are currently being developed for approval by the executive team and will be communicated to managers for compliance. Business units will be held responsible for their assets and notify Asset management team/Finance of any disposal in writing with Manager/Director approval.

The City will continue to monitor the progress of these actions throughout the year to ensure continuous improvement and compliance in the next return period.
COMMITTEE AND OFFICER'S RECOMMENDATION

MOVED: Cr D Thompson

The Audit and Risk Management Committee information report for September 2017 be received.

CARRIED: 5/0

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ARMC1709-7 INTERNAL AUDIT PROGRAM UPDATE- ASSET MANAGEMENT

Meeting Date: 12 September 2017
Responsible Officer: Director Infrastructure and Projects
Decision Making Authority: Council
Agenda Attachments: Nil

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 this update in relation to the City's current position and progression methodology.

BACKGROUND

At the Ordinary Meeting of Council held on November 23 2016, Council approved the internal audit of the following business processes:

1. Asset Management
2. Purchasing Authorisation
3. Delegation of Authority
4. Information/records management.

Subsequently an audit of the City’s Asset Management provisions was undertaken by the appointed auditor (Paxon Group). The subsequent report (received in March 2017) highlighted a number of fundamental areas requiring substantial improvement. The key findings requiring attention and improvement were summarized as follows:

- Asset Management Policy is out of date
- Asset Management Strategy is out of date
- Asset Management Plans do not exist for most asset classes
- Strategic Business Process Manuals require updating and developed for all asset classes
- Asset registers are incomplete
- Lack of inspection of some asset classes
- Inspection reports provide incomplete management data
- Not all data migration risks are documented
- No contingency plans exist for COF
- Long term financial plan requires updating with current financial data.
FINANCIAL IMPLICATIONS

The City will redirect internal resources to address some of the audit works. There is provision of $50,000 for Asset Audits and a consultancy provision in the 2017/18 budget which can be used to conduct the specialist audits.

The City Assets team will reassess progress in September/October and report through the Councils mid-year budget review process with respect to available funding provision.

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; and
- 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 the asset management issues raised.

<table>
<thead>
<tr>
<th>Key Findings Auditors Report</th>
<th>Officers Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management policy is out of date</td>
<td>An updated Asset Management policy has been presented to Executive Leadership Team for comments</td>
</tr>
<tr>
<td>Asset Management strategy is out of date</td>
<td>The Asset Management Strategy will be a key agenda item in the next Strategic Asset Management Working Group meeting.</td>
</tr>
<tr>
<td>Asset Management plans do not exist for most asset classes</td>
<td>Asset Management Plans shall be developed in conjunction with the asset class audits.</td>
</tr>
<tr>
<td>Strategic Business Process Manuals require updating and developed for all asset classes</td>
<td>Strategic Business Process Manuals are being developed for all asset classes.</td>
</tr>
<tr>
<td>Asset registers are incomplete</td>
<td>Assets Team and finance are aligning the registers.</td>
</tr>
<tr>
<td>Lack of inspection of some asset classes</td>
<td>Asset inspections and programmed audits shall take place for all asset classes.</td>
</tr>
<tr>
<td>Inspection reports provide incomplete</td>
<td>Methodology shall be in place to</td>
</tr>
</tbody>
</table>
management of data | manage data capture and placement
--- | ---
Not all data migration risks are documented | A risk profile shall be set up and a risk mitigation approach taken.
No contingency plans exists for COF | Contingency planning will be a key agenda item for the next Strategic Asset Management Working Group meeting.
Long term financial plans require updating with current financial data | Service Level plans shall be developed to better inform financial planning

The City Assets Team have made progression in the following areas

- Parks and landscapes - Officers have been working closely with the manager Parks & Landscapes to identify the critical parks assets and implement a digital capture program. The mobile devices for data capture are now being configured and should be active in the next three weeks.

- Drainage systems - Officers have been in discussion with drainage auditors looking at what may provide a best value approach to drainage data capture in light of the number of drainage elements and nodes to be captured. It is projected that physical capture will start in the middle of October 2017

- Footpaths - Officers have been working with the manager Infrastructure Engineering to maximize current resources and knowledge to program and map footpath condition information. A sample capture profile and information is expected to be confirmed by the end of September 2017. Currently City officers are spot sampling previous data to identify confidence levels and minimize reworks

- Strategic Asset Management Working Group (SAMWG) - The first informal meeting with all City managers has been held and identified key staff that shall form the Strategic Asset Management Working Group (SAMWG). This group shall be tasked with identifying and coordinating the management of city assets.

The above progression is aligned with the City’s escalated asset audit program that shall deliver updated Asset Management and Service Plans for the following asset categories:

- Parks and landscapes - to be completed by 1 February 2018
- Fleet and plant - to be completed by 1 February 2018
- Drainage systems - to be completed by 31 May 2018
- Footpaths - to be completed by 15 March 2018
- Buildings - to be completed by 24 November 2017

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required
COMMITTEE AND OFFICER'S RECOMMENDATION

MOVED: Cr D Thompson

Council:

1. Receive the officer's update report in response to the City's asset management audit, as contained within this report.

CARRIED: 5/0

<table>
<thead>
<tr>
<th>For</th>
<th>Against</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cr Doug Thompson</td>
<td></td>
</tr>
<tr>
<td>Cr Andrew Sullivan</td>
<td></td>
</tr>
<tr>
<td>Cr Jeff McDonald</td>
<td></td>
</tr>
<tr>
<td>Cr Rachel Pemberton</td>
<td></td>
</tr>
<tr>
<td>Mr Phillip Draber</td>
<td></td>
</tr>
</tbody>
</table>
CONFIDENTIAL MATTERS

Nil.

CLOSURE OF MEETING

THE PRESIDING MEMBER DECLARED THE MEETING CLOSED AT 06.24 PM.
SUMMARY GUIDE TO CITIZEN PARTICIPATION AND CONSULTATION

The City values community engagement and recognises the benefits that can flow to the quality of decision-making and the level of community satisfaction.

Effective community engagement requires total clarity so that Elected Members, Council officers and citizens fully understand their respective rights and responsibilities as well as the limits of their involvement in relation to any decision to be made by the City.

<table>
<thead>
<tr>
<th>How consultative processes work at the City of Fremantle</th>
</tr>
</thead>
<tbody>
<tr>
<td>The City's decision makers</td>
</tr>
<tr>
<td>1. The Council, comprised of Elected Members, makes policy, budgetary and key strategic decisions while the CEO, sometimes via on-delegation to other City officers, makes operational decisions.</td>
</tr>
<tr>
<td>Various participation opportunities</td>
</tr>
<tr>
<td>2. The City provides opportunities for participation in the decision-making process by citizens via its council appointed working groups, its community precinct system, and targeted community engagement processes in relation to specific issues or decisions.</td>
</tr>
<tr>
<td>Objective processes also used</td>
</tr>
<tr>
<td>3. The City also seeks to understand the needs and views of the community via scientific and objective processes such as its biennial community survey.</td>
</tr>
<tr>
<td>All decisions are made by Council or the CEO</td>
</tr>
<tr>
<td>4. These opportunities afforded to citizens to participate in the decision-making process do not include the capacity to make the decision. Decisions are ultimately always made by Council or the CEO (or his/her delegated nominee).</td>
</tr>
<tr>
<td>Precinct focus is primarily local, but also city-wide</td>
</tr>
<tr>
<td>5. The community precinct system establishes units of geographic community of interest, but provides for input in relation to individual geographic areas as well as on city-wide issues.</td>
</tr>
<tr>
<td>All input is of equal value</td>
</tr>
<tr>
<td>6. No source of advice or input is more valuable or given more weight by the decision-makers than any other. The relevance and rationality of the advice counts in influencing the views of decision-makers.</td>
</tr>
<tr>
<td>Decisions will not necessarily reflect the majority view received</td>
</tr>
<tr>
<td>7. Local Government in WA is a representative democracy. Elected Members and the CEO are charged under the Local Government Act with the responsibility to make decisions based on fact and the merits of the issue without fear or favour and are accountable for their actions and decisions under law. Elected Members are accountable to the people via periodic elections. As it is a representative democracy, decisions may not be made in favour of the majority view expressed via consultative processes. Decisions must also be made in accordance with any statute that applies or within the parameters of budgetary considerations. All consultations will clearly outline from the outset any constraints or limitations associated with the issue.</td>
</tr>
</tbody>
</table>
### How consultative processes work at the City of Fremantle

<p>| Decisions made for the overall good of Fremantle | 8. The Local Government Act requires decision-makers to make decisions in the interests of &quot;the good government of the district&quot;. This means that decision-makers must exercise their judgment about the best interests of Fremantle as a whole as well as about the interests of the immediately affected neighbourhood. This responsibility from time to time puts decision-makers at odds with the expressed views of citizens from the local neighbourhood who may understandably take a narrower view of considerations at hand. |
| Diversity of view on most issues | 9. The City is wary of claiming to speak for the ‘community’ and wary of those who claim to do so. The City recognises how difficult it is to understand what such a diverse community with such a variety of stakeholders thinks about an issue. The City recognises that, on most significant issues, diverse views exist that need to be respected and taken into account by the decision-makers. |
| City officers must be impartial | 10. City officers are charged with the responsibility of being objective, non-political and unbiased. It is the responsibility of the management of the City to ensure that this is the case. It is also recognised that City officers can find themselves unfairly accused of bias or incompetence by protagonists on certain issues and in these cases it is the responsibility of the City’s management to defend those City officers. |
| City officers must follow policy and procedures | 11. The City’s community engagement policy identifies nine principles that apply to all community engagement processes, including a commitment to be clear, transparent, responsive, inclusive, accountable and timely. City officers are responsible for ensuring that the policy and any other relevant procedure is fully complied with so that citizens are not deprived of their rights to be heard. |
| Community engagement processes have cut-off dates that will be adhered to. | 12. As City officers have the responsibility to provide objective, professional advice to decision-makers, they are entitled to an appropriate period of time and resource base to undertake the analysis required and to prepare reports. As a consequence, community engagement processes need to have defined and rigorously observed cut-off dates, after which date officers will not include ‘late’ input in their analysis. In such circumstances, the existence of ‘late’ input will be made known to decision-makers. In most cases where community input is involved, the Council is the decision-maker and this affords community members the opportunity to make input after the cut-off date via personal representations to individual Elected Members and via presentations to Committee and Council Meetings. |</p>
<table>
<thead>
<tr>
<th>How consultative processes work at the City of Fremantle</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Citizens need to check for any changes to decision making arrangements made</strong></td>
</tr>
<tr>
<td>13. The City will take initial responsibility for making citizens aware of expected time-frames and decision making processes, including dates of Standing Committee and Council Meetings if relevant. However, as these details can change, it is the citizens responsibility to check for any changes by visiting the City’s website, checking the Fremantle News in the Fremantle Gazette or inquiring at the Customer Service Centre by phone, email or in-person.</td>
</tr>
<tr>
<td><strong>Citizens are entitled to know how their input has been assessed</strong></td>
</tr>
<tr>
<td>14. In reporting to decision-makers, City officers will in all cases produce a community engagement outcomes report that summarises comment and recommends whether it should be taken on board, with reasons.</td>
</tr>
<tr>
<td><strong>Reasons for decisions must be transparent</strong></td>
</tr>
<tr>
<td>15. Decision-makers must provide the reasons for their decisions.</td>
</tr>
<tr>
<td><strong>Decisions posted on the City’s website</strong></td>
</tr>
<tr>
<td>16. Decisions of the City need to be transparent and easily accessed. For reasons of cost, citizens making input on an issue will not be individually notified of the outcome, but can access the decision at the City’s website under 'community engagement' or at the City Library or Service and Information Centre.</td>
</tr>
</tbody>
</table>
Issues that Council May Treat as Confidential

Section 5.23 of the new Local Government Act 1995, Meetings generally open to the public, states:

1. Subject to subsection (2), the following are to be open to members of the public -
   a) all council meetings; and
   b) all meetings of any committee to which a local government power or duty has been delegated.

2. If a meeting is being held by a council or by a committee referred to in subsection (1) (b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following:
   a) a matter affecting an employee or employees;
   b) the personal affairs of any person;
   c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;
   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;
   e) a matter that if disclosed, would reveal –
      i) a trade secret;
      ii) information that has a commercial value to a person; or
      iii) information about the business, professional, commercial or financial affairs of a person.
      Where the trade secret or information is held by, or is about, a person other than the local government.
   f) a matter that if disclosed, could be reasonably expected to -
      i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;
      ii) endanger the security of the local government's property; or
      iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety.
   g) information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and
   h) such other matters as may be prescribed.

3. A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.
MINUTES ATTACHMENTS

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 12 September 2017, 5.30 pm
ARMC1709-1  RISK MANAGEMENT FRAMEWORK REVIEW
ATTACHMENT 1 - RISK MANAGEMENT POLICY (AS AMENDED)

Risk Management Policy

1. Purpose

The purpose of the risk management policy is to provide guidance regarding the management of risk to support the achievement of the City of Fremantle’s objectives, protect staff, and City assets and ensure environmental sustainability. The City will implement and maintain procedures that will enable the Council, the Executive Leadership Team and Managers to systematically review risks to minimise adverse consequences from all Council activities.

2. Scope

This policy applies to all of the City’s activities. It forms part of the City’s governance framework and is applies to all Councillors, employees, contractors and volunteers. The policy provides a framework for the City’s strategic, operational and projects risks.

3. Risk Governance

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council</td>
<td>Maximise opportunities to deliver on City strategic directions as well as by ensuring that the associated risks are managed and monitored.</td>
</tr>
<tr>
<td>Audit and Risk Committee</td>
<td>On behalf of Council, oversees regular review of risk management activities</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>Promotes the establishment and operation of the risk management framework and culture of risk management</td>
</tr>
<tr>
<td>Risk and Insurance Advisor</td>
<td>Continuously improving risk management policy and supporting framework, processes, tools and techniques</td>
</tr>
<tr>
<td>Executive Leadership Team</td>
<td>Ensure staff in their business units comply with the risk management framework and foster a culture where risks can be identified, managed, monitored and where appropriate escalated</td>
</tr>
<tr>
<td>Staff</td>
<td>Report and manage risk in compliance with framework.</td>
</tr>
</tbody>
</table>

4. Risk Appetite

The City of Fremantle has a responsible approach to risk management seeking to manage and expose risks. The City is dedicated to achieving Strategic Community Objectives and therefore accepts a degree of risk commensurate with opportunity. The risk the City is willing to accept is within agreed tolerances for risk appetite agreed by the council and ELT for key risk areas specified in the Risk Management Framework. The City applies a risk based approach to decision making with particular attention to impact on City core activities of economic development, cultural activities, community well-being and safety.

30 August 2017
The City has low to no tolerance for exposing the City to: financial risk, but may extend this tolerance for specific projects; risks associated with economic development; risks inhibiting the promotion and fostering of the City’s cultural vibrancy.

_The City has no tolerance for risks to community and staff safety and for deliberate breaches of laws, regulations and professional standards._

The City is prepared to bear moderately higher risks and short term costs in its commitment to One Planet Principles and achieving corporate targets.

5. **Review and approval**

The Risk Management Policy is to be reviewed every two years by the Audit and Risk Committee.

Reviewing officer:
Policy adopted:
Legislation:
Delegations:
Related documents:

30 August 2017
## ATTACHMENT 2 - RISK MANAGEMENT GUIDELINES (AS AMENDED)

<table>
<thead>
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<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>2</td>
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<tr>
<td>2. Integration with other systems and processes</td>
<td>15</td>
</tr>
<tr>
<td>3. Risk Register</td>
<td>15</td>
</tr>
<tr>
<td>4. Risk Reporting</td>
<td>17</td>
</tr>
<tr>
<td>5. References and related documents</td>
<td>18</td>
</tr>
</tbody>
</table>
1. Risk Management Guidelines

The Risk Management Guidelines, together with the Risk Management Policy, form the City of Fremantle Risk Management Framework.

A guide to identifying, assessing and reporting risk

Most people inherently manage risk without realizing it. Good risk management practice involves a systematic approach. Keeping records ensures the risk management measures put in place are considered, reasonable, planned and reviewed.

Risk Identification

What is a risk? Risk is the “effect of uncertainty on objectives” and an effect is a positive or negative deviation from what is expected.

The identification of risks will form part of the City’s strategic and business planning process. Risks are identified and managed in our everyday business activities.

The following table is a general guide assisting the identification and management of risk. Business units belonging to the same Directorates will have common risks that only need to be captured once at the highest level. Risks are escalated in accordance with the Risk Management Framework requirements in Table 5 (attached).

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Description / examples</th>
</tr>
</thead>
</table>
| Compliance/Governance  | - State and legislative and policy requirements  
                         - Governance instruments / delegations  
                         - Committees, Council and formal governance bodies  
                         - Conduct / Values  
                         - Fraud, Corruption and Misconduct Prevention  
                         - Critical Incident Management  
                         - Strategic and business planning  
                         - Resource management  
                         - Performance reporting  
                         - Intellectual Property  
                         - Document Management  
                         - Legislative compliance  
                         - Regulatory compliance  
                         - Contractual liability  
                         - Public liability |
| Environment            | - Waste management  
                         - Safety and protection of public health  
                         - Water quality – management of recreational and water supply  
                         - Environmental management  
                         - Planning decisions involving appropriate land use  
                         - Emergency and disaster management – appropriate and effective decisions |
<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Description / examples</th>
</tr>
</thead>
</table>
| Financial                       | - Financial planning / forecasting  
|                                  | - Financial management       
|                                  | - Financial performance     
|                                  | - Financial reporting       
|                                  | - Funding/grants/financial assistance allocations   
|                                  | - Budgeting (recurrent and capital)       
|                                  | - Expenditure                 |
| Occupational Safety and Health/Staff | - Staff wellbeing / health and safety / OHS  
|                                  | - Staff training and development       
|                                  | - Attraction and retention       
|                                  | - Recruitment                  
|                                  | - Staff behaviour / conduct      
|                                  | - Ageing workforce              
|                                  | - Loss of corporate knowledge    
|                                  | - Trends in workforce mobility, skills, retention  
|                                  | - Workforce planning and flexibility |
| Organisational change           | - Structural changes (internal)   
|                                  | - Structural changes           
|                                  | - Increased state presence (e.g. LG Structural Reform)  
|                                  | - Growth in responsibility      
<p>|                                  | - Move towards commercialisation / profit retention |</p>
<table>
<thead>
<tr>
<th>Category</th>
<th>Services Provided</th>
</tr>
</thead>
</table>
| Reputation/Brand               |  - Provision of legal and policy advice  
                                  |  - Media management                    |
|                                |  - Corporate communication              |
|                                |  - Misconduct / investigation            |
|                                |  - Web-based records of advice           |
| Projects                       |  - Product development / project management |
|                                |  - Product lifecycle management          |
|                                |  - Pricing                               |
| Community/Ratepayers and stakeholders |  - Customers                             |
|                                |  - Suppliers                             |
|                                |  - Community / public                     |
|                                |  - Industry                              |
|                                |  - Ministerial / other local governments |
Once a potential risk has been identified the following methodology should be applied:

Risk Analysis

This is the process of considering the consequences and likelihood of a particular risk scenario to determine the “Level of Risk”, using the Risk Reference Tables (attached) developed as part of the CoF Risk Management Framework.

Consequence Rating (Table 1)

A risk that eventuates may impact CoF in a number of different areas, to a greater or lesser extent. When analysing the consequences of a risk event, you need to consider the level of impact (1 to 5) in relation to each of the consequence categories defined in the Consequence Rating Table. For example, a risk may have an impact of 5 for Financial Loss and 4 for Reputation and Image and little or no impact in the other areas. Both ratings may be recorded, as this demonstrates that your consideration of the risk has been thorough. When selecting the consequence rating, this must be done taking into account the existing controls for the particular risk.

Likelihood Rating (Table 2)

This describes how likely it is that a risk will eventuate with the defined consequences. Likelihood can be defined in terms of probability or frequency, depending on what is most convenient for the Business Unit or Directorate.

Hints:

• When you are rating the likelihood of a risk, ask yourself “How likely is it for this risk to occur, given the existing controls, to the level of consequence identified.

• Past experience is an important guide to likelihood, but do not fall into the trap of thinking it is the only guide. There may be internal or external factors that may increase or decrease the likelihood of such an event occurring in the future.

Calculating the Level of Risk (Table 3)

The Level of Risk, or Risk Rating, is calculated by multiplying the consequence and likelihood ratings. For any risk, there may be a number of different consequence/likelihood scenarios. Within each category there may be multiple scenarios ranging from “minor but likely” to “catastrophic but rare”. It is important to rate what is the realistic worst-case scenario, which is the worst-case level of risk considering both consequences and likelihood. In these instances, it may be appropriate to rate the same consequence category more than once. Where there are multiple ratings for a risk, the highest combination of consequence/likelihood is taken as the level of risk.

Existing Controls (Table 4)

Controls are the measures that are currently in place i.e. at the time of the risk assessment, that reduce the consequences and/or likelihood of the risk. All controls are looked at as a whole in terms of their adequacy in managing the risk. The adequacy of the controls is assessed on a common sense, qualitative basis. This can be viewed as a reasonableness test: are you doing what is reasonable under the circumstances to manage i.e. prevent or minimise the risk? The recommended rating scale is as follows:

Excellent – Doing more than what a reasonable person would be expected to do in the circumstances.

Adequate – Doing only what is a reasonable person would be expected to do in the circumstances.

Inadequate – Doing less than what a reasonable person would be expected to do in the circumstances.
If it is reasonably foreseeable that a risk may impact on the Business Unit or Directorate, then you should ensure controls are in place to manage the risk. These controls should be in line with what a reasonable person would do to avoid the unwanted effects of the risk. To assist in determining what is reasonable, the following should be considered:

1. The likelihood of the unwanted consequence/s occurring if no action was taken
2. The likely severity of the consequence
3. The availability, suitability and cost (financial and other) associated with implementing the control
4. The overall need to engage in a risk creating activity
5. The extent of knowledge about the risk, its elimination or mitigation

Risk Evaluation

Once the Level of Risk has been determined, the next step is to evaluate the risk and see where the risk fits against the Business Unit or Directorate overall risk criteria. Table 5 gives guidance as to the acceptability of the risk and who is responsible for the acceptance decision for that risk.

Risk Ownership & Risk Decision (Table 5)

Each risk that is identified needs to be allocated a Risk Owner. This is the person responsible for managing the risk, and is usually the person who is directly responsible for the strategy, activity or function that relates to the risk.

Some of the key responsibilities of the Risk Owner include:

• Sign-off on acceptance of the risk
• Responsible for the regular review of the risk
• Responsible for the regular reporting on the risk
• Monitoring of controls
• Monitoring/implementation of any risk treatments

Assigning risk ownership ensures a specific person is responsible and accountable for a particular risk. It is impractical and ineffective for risk ownership to be assigned to a body, such as a Business Unit or committee.
### Table 1: Risk Reference Consequence Rating

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Catastrophic</th>
<th>Major</th>
<th>Moderate</th>
<th>Minor</th>
<th>Insignificant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>Non-compliance results in litigation, criminal charges or significant damages or penalties</td>
<td>Non-compliance results in termination of services or imposed penalties</td>
<td>Short term non-compliance but with no significant regulatory requirements imposed</td>
<td>Short term non-compliance but with no significant regulatory requirements imposed</td>
<td>Some temporary non compliance</td>
</tr>
<tr>
<td>Environment</td>
<td>Uncontained, irreversible impact managed by coordinated response from external agencies</td>
<td>Uncontained, reversible impact managed by coordinated response from external agencies</td>
<td>Contained, reversible impact managed by internal response</td>
<td>Combined, reversible impact managed by internal response</td>
<td>Combined, reversible impact managed by on site response</td>
</tr>
<tr>
<td>Financial Impact</td>
<td>More than $4M</td>
<td>$1M - $4M</td>
<td>$100,000 - $1M</td>
<td>$10,000 - $100,000</td>
<td>Less than $10,000</td>
</tr>
<tr>
<td>Health (Physical Injuries)</td>
<td>Fatality, permanent disability</td>
<td>Major injury or health effect / short term injury / serious or extensive injury / multiple injuries</td>
<td>Moderate injury or health effect / multiple type treatment</td>
<td>Minor injury or health effect / first aid treatment</td>
<td>Negligible injuries</td>
</tr>
<tr>
<td>Project - Cost</td>
<td>Exceeds project budget by 25%</td>
<td>Exceeds project budget by 15%</td>
<td>Exceeds project budget by 7.5%</td>
<td>Exceeds project budget by 5%</td>
<td>Exceeds project budget by 2%</td>
</tr>
<tr>
<td>Project - Scope and Quality</td>
<td>Failure to meet project objectives / project outcomes negatively affecting the community or the environment / public embarrassment, third party actions</td>
<td>Project goals, deliverables, costs and/or deadline failures / project not aligned with the project stakeholders expectation in project</td>
<td>Scope creep requiring additional work, time and resources or short cuts being taken / stakeholder concerns</td>
<td>Scope creep requiring additional work, time or resources / reduced perception of quality by stakeholders</td>
<td>Minor variations to project scope or quality</td>
</tr>
<tr>
<td>Project - Time</td>
<td>Exceeds deadline by &gt;25% of project timeline</td>
<td>Exceeds deadline by &gt;15% of project timeline</td>
<td>Exceeds deadline by &gt;10% of project timeline</td>
<td>Exceeds deadline by &gt;5% of project timeline</td>
<td>Exceeds deadline by &gt;5% of project timeline</td>
</tr>
</tbody>
</table>

### Table 2: Risk Reference Consequence Rating

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Catastrophic</th>
<th>Major</th>
<th>Moderate</th>
<th>Minor</th>
<th>Insignificant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical assets</td>
<td>Extensive damage requiring prolonged period of restoration / complete loss of plant, equipment and building</td>
<td>Significant damage requiring internal and external resources to rectify</td>
<td>Localised damage requiring external resources to rectify</td>
<td>Localised damage rectified by routine internal procedures</td>
<td>Inconsequential damage</td>
</tr>
<tr>
<td>Reputation/Brand</td>
<td>Substantiated, public embarrassment, very high impact, high widespread multi-national profile, third party actions</td>
<td>Substantiated, public embarrassment, high impact, high news profile, third party actions</td>
<td>Substantiated, public embarrassment, moderate impact, moderate news profile</td>
<td>Substantiated, low impact, low news item</td>
<td>Unsubstantiated, low impact, low profile or no news item</td>
</tr>
<tr>
<td>Service Interruption</td>
<td>Indeterminate prolonged interruption of service – non-performance &gt; 1 month</td>
<td>Prolonged interruption of services – additional resources: performance impaired &gt; 1 month</td>
<td>Medium term temporary interruption – backlog cleared by additional resources &gt; 1 week</td>
<td>Short term temporary interruption – backlog cleared &lt; 1 day</td>
<td>Short term temporary interruption – backlog cleared &lt; 4 hours</td>
</tr>
</tbody>
</table>
Table Two - Likelihood Rating

The term ‘likelihood’ refers to the probability or frequency of an event occurring. It is a subjective rating but can, in many instances, be informed by past events, environmental scans and a thorough understanding of business operations. It is therefore important that experienced individuals, as well as those with specialist knowledge, are involved in the risk analysis process.

<table>
<thead>
<tr>
<th>Level</th>
<th>Descriptor</th>
<th>Detail Description</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rare</td>
<td>The event may occur in exceptional circumstances</td>
<td>&lt;5%</td>
</tr>
<tr>
<td>2</td>
<td>Unlikely</td>
<td>The event could occur at some time</td>
<td>5-10%</td>
</tr>
<tr>
<td>3</td>
<td>Moderate</td>
<td>The event should occur at some time</td>
<td>10-25%</td>
</tr>
<tr>
<td>4</td>
<td>Likely</td>
<td>The event will probably occur in most circumstances</td>
<td>25-50%</td>
</tr>
<tr>
<td>5</td>
<td>Almost Certain</td>
<td>The event is expected to occur most circumstances</td>
<td>&gt;50%</td>
</tr>
</tbody>
</table>

Table Three - Level of Risk

The Level of Risk is calculated by multiplying the consequence and likelihood ratings. For any risk there may be a number of different likelihood/consequence scenarios across, and within, the different risk categories, ranging in severity. It is important to rate the realistic worst-case scenario and, where there are multiple ratings for a risk, the highest multiple must be selected as the final rating.

<table>
<thead>
<tr>
<th>Consequence</th>
<th>Likelihood</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rare</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Unlikely</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Moderate</td>
<td>3</td>
<td>6</td>
<td>9</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Likely</td>
<td>4</td>
<td>8</td>
<td>12</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Almost Certain</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
</tr>
</tbody>
</table>

**LEVEL OF RISK – DESCRIPTOR**

<table>
<thead>
<tr>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
<th>Extreme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4</td>
<td>1-4</td>
<td>9-12</td>
<td>12-19</td>
<td>20 - 25</td>
</tr>
</tbody>
</table>
### Table Four - Determine Control Rating

Controls must be assessed to determine what risk management efforts are needed to achieve desired mitigation level – i.e. that the controls are operating as intended. When assessing controls the following should be considered:
- Is the control relevant?
- Is the control documented?
- Is the control in use?
- Is the control current / up to date?
- Is the control effective?

<table>
<thead>
<tr>
<th>Level</th>
<th>Descriptor</th>
<th>Description</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>Excellent</td>
<td>Doing more than what is reasonable under the circumstances</td>
<td>Controls fully in place and subject to continuous maintenance and monitoring. Protection systems are in place and continuously reviewed. Procedures are in place and regularly tested and reviewed.</td>
</tr>
<tr>
<td>A</td>
<td>Satisfactory</td>
<td>Doing what is reasonable under the circumstances</td>
<td>Controls are in place and subject to periodic maintenance and monitoring. Protection systems are in place and are periodically reviewed. Procedures exist only for given circumstances and are periodically tested and reviewed.</td>
</tr>
<tr>
<td>I</td>
<td>Inadequate</td>
<td>Not doing some or all of the things that would be reasonable under the circumstances</td>
<td>Little or no action being taken. No protection systems exist or they have not been reviewed for some time. No formalised procedures exist.</td>
</tr>
</tbody>
</table>

### Table Five - Determine Risk Acceptance and Ownership

Once the assessed Level of Risk has been determined and a Control Rating allocated, it is necessary to evaluate the risk by comparison to the ‘Criteria for Acceptance of Risk’ contained within Table 5 below. The Table gives guidance as to the acceptability of the risk.

<table>
<thead>
<tr>
<th>Level of Risk</th>
<th>Criteria for Acceptance of Risk</th>
<th>Authorised to accept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Acceptable</td>
<td>Acceptable with satisfactory controls</td>
</tr>
<tr>
<td>Moderate</td>
<td>Acceptable</td>
<td>Acceptable with satisfactory controls</td>
</tr>
<tr>
<td>Substantial</td>
<td>Monitor</td>
<td>Acceptable with satisfactory controls</td>
</tr>
<tr>
<td>High</td>
<td>Management Action Required</td>
<td>Only acceptable with satisfactory controls</td>
</tr>
<tr>
<td>Extreme</td>
<td>Urgent Management Action Required</td>
<td>Only acceptable with excellent controls</td>
</tr>
</tbody>
</table>
### Table Six – Risk Assessment Table/Risk Register

<table>
<thead>
<tr>
<th>Directorate/Business Unit</th>
<th>Risk Register ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Risk Assessment</td>
<td>Risk Category</td>
</tr>
<tr>
<td>Risk Owner</td>
<td>Assessment Conducted By</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Establish the Context</th>
<th>Risk Description</th>
<th>Effectiveness of Controls</th>
<th>Analysis</th>
<th>Mitigation Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Directorate**
  - Establish the context (e.g., strategic, business, project)
- **Service**
  - Describe the risk (e.g., regulatory requirements, political changes)
- **Risk**
  - Identify the risk (e.g., internal and external factors that influence risk)
- **Risk Description**
  - Determine how the risk impacts the current objectives
- **Effectiveness of Controls**
  - Identify controls in place to mitigate the risk
- **Analysis**
  - Assess the likelihood and impact of the risk
- **Mitigation Action**
  - Specify actions to be taken to manage the risk

<table>
<thead>
<tr>
<th>Business objective:</th>
<th>Generic</th>
<th>Event</th>
<th>Impact</th>
<th>Rating + Likelihood x Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Risk evaluation involves comparing the level of risk found during the analysis process with risk criteria established when the context was considered. Based on this comparison, the need for treatment can be determined. Options for treatment may include:

- Avoidance of risk
- Acceptance
- Mitigation of risk
- Transfer of risk
- Changing the environment
- Changing the consequence
- Sharing risk with another party
- Avoiding the risk
2. Integration with other systems and processes

Risk management is factored into business planning, performance management, procurement, contracts management, event management, audit, business continuity management and project management.

3. Risk Register

The risk register is submitted to the Audit and Risk Committee for review. Table 6 represents a multi-functional form that assists in assessing and rating risk. The form can also be used as a risk register.
### Table Seven – Risk Register (Examples)

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Description</th>
<th>Related Objective(s)</th>
<th>Date for Review</th>
<th>Last Assessed</th>
<th>Control</th>
<th>Action Plan</th>
<th>Risk Level</th>
<th>Overall Risk Score</th>
<th>Compliance with Legislative Requirements</th>
<th>External Risk Factors</th>
<th>Impact to Service</th>
<th>Risk Owner</th>
<th>Risk Treatment Plan</th>
<th>Status of Treatment Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If water fails to reach the needs of the City in order to maintain landscape aesthetics</td>
<td>Supervised</td>
<td>01/07/17</td>
<td>Non-Compliance</td>
<td>Special Investigation</td>
<td>4 High</td>
<td>NA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>If water fails to reach the needs of the City in order to maintain landscape aesthetics</td>
<td>Supervised</td>
<td>01/07/17</td>
<td>Non-Compliance</td>
<td>Special Investigation</td>
<td>4 High</td>
<td>NA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Risk Reporting

Table Eight – Risk Identification Flow Chart

RISK IDENTIFICATION PROCESS

- Risks identified during the annual business planning process
- Risk reported to Supervisor/Manager/Director
- Risk is assessed using the COF risk reference material and risk matrix (attached)
- Level of risk determined. Risks rated low to medium retained and managed within business area. Risks rated High or above should be referred to the Audit & Risk Management Committee for formal recognition and acceptance on to COF risk register. All new risks should be assessed with the assistance of the Risk Advisor
- Risk is formally tabled at the Audit and Risk Management Committee. Assessment of risk reviewed and TAP endorsed. Risk is referred back to risk owner for management
- Performance of risk is reported on a quarterly basis or scheduled risk reporting regime. All risk reports are referred to the Risk Advisor

- Risks are identified during committee meetings, environmental scans, operational & business planning, actual incidents or observations. All existing risks are reviewed at least annually during the business planning process
- Risk reported Director
- Risks rated high or above, with inadequate controls, should be accompanied with a Treatment Action Plan (TAP) (mitigation strategy)
5. References and related documents

<table>
<thead>
<tr>
<th>Associated policies</th>
<th>Risk Management Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachments</td>
<td></td>
</tr>
</tbody>
</table>