



Minutes

Audit and Risk Management Committee

Tuesday, 10 November 2020, 5.30 pm

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Audit and Risk Management Committee

Minutes of the Audit and Risk Management Committee meeting
held in the City of Fremantle Administration Building at Fremantle Oval, 70 Parry
Street Fremantle
on **Tuesday, 10 November 2020** at 5.30 pm.

1. Official opening, welcome and acknowledgement

The Presiding Member declared the meeting open at 5.39 pm.

2.1. Attendance

Cr Adin Lang	Presiding Member/City Ward
Cr Frank Mofflin	Deputy Presiding Member/Hilton Ward
Cr Hannah Fitzhardinge	Beaconsfield Ward
Cr Su Groome	East Ward (<i>observing only</i>)
Mr Philip St John	Chief Executive Officer
Mr Glen Dougall	Director City Business
Mr Graham Tattersall	Director Infrastructure
Mr Kevin Porter	Acting Manager Finance
Ms Charlie Clarke	Manager Governance
Mr Joel Hurst	Manager Information Technology
Ms Emma Aiberti	Revenue Team Leader
Ms Anne-Marie Bartlett	Meeting Support Officer

2.2. Apologies

Mayor Brad Pettitt
Cr Doug Thompson
Mr Phillip Draber

Mr Phillip Draber submitted written comments for consideration at the meeting, which were noted by the Committee.

2.3. Leave of absence

Nil

3. Disclosures of interests by members

Nil

4. Deputations

4.1 Special deputations

Nil

4.2 Presentations

Nil

5. Confirmation of minutes

COMMITTEE DECISION

Moved: Cr Adin Lang

Seconded: Cr Frank Mofflin

The Audit and Risk Management Committee confirm the minutes of the Audit and Risk Management Committee meeting dated 11 August 2020.

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

6. Elected member communication

Nil

7. Reports and recommendations

ARMC2011-1 REVIEW OF THE AUDIT AND RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

Meeting date:	10 November 2020
Responsible officer:	Manager Governance
Decision making authority:	Council
Agenda attachments:	1. Audit and Risk Management Committee Terms of Reference
Additional information:	1. Nil

SUMMARY

This report discusses the City's review of the Audit and Risk Management Committee Terms of Reference and recommends Council adopt the updated Audit and Risk Management Committee Terms of Reference included at attachment 1.

BACKGROUND

The Audit and Risk Management Committee (ARMC) Terms of Reference were adopted within the document 'Council Committees and Groups Register' at the Ordinary Meeting of Council held on 23 October 2019.

During the Chief Executive Officer's review of the City's systems and procedures – Internal Control (Regulation 17 review) undertaken in late 2019 it was recommended by the reviewer that the City assess and, if necessary, update the ARMC Terms of Reference to:

1. ensure consistency with any contemporary requirements of the Office of the Auditor General, including entrance and exit meetings.
2. ensure consistency with the current ARMC members.
3. include a clause identifying that the terms of reference will be reviewed at least once every two years.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

Audit committees are established under section 7.1A of the *Local Government Act 1995*.

The functions of an audit committee are set out in Regulation 16 of the *Local Government (Audit) Regulations 1996*.

There are no legal implications identified as a result of this report. The current Terms of Reference for the ARMC are adequate and the recommendation for amendment is for best practise and continuous improvement reasons only.

CONSULTATION

No consultation was undertaken for this report.

OFFICER COMMENT

Officers have reviewed the ARMC Terms of Reference taking into consideration the recommendations made by the City’s contracted reviewer in the final report of the Chief Executive Officer’s Systems and Procedures Review – Internal Control (Regulation 17).

Officers have identified amendments that could be made to the terms of reference (TOR) in response to the review recommendation and have provided information on those amendments in the table below.

It is also suggested that additional changes, that were not proposed during the Chief Executive Officer’s Systems and Procedures Review, such as including more detail in the Functions of the Committee section of the TOR are included for best practise reasons.

The recommended changes are shown in green text for new text, and red strikethrough for deleted text:

Clause	Action	Change	Reason / Recommendation from Regulation 17 review
1.1.c Objectives	Reword clause	Receive and authorise the audit report prepared by the CEO and to be provided to the Minister.	Reason: This amendment improves the wording of the clause Reg 17 review recommendation: Nil
2.1 Functions	Add clauses to the ‘Functions’ section of the TOR	h. monitor the risk exposure of the City by reviewing and making recommendations on the: i. Risk Management Framework, and ii. Strategic Risk Register.	Reason: These additional clauses provide the Committee with greater clarity on its functions Reg 17 review recommendation: Nil
		i. monitor emerging or significant risks identified through the risk management framework and review the actions to mitigate such risks.	
		j. Oversee the development and implementation of the City’s fraud and corruption control arrangements	

		k. assist in ensuring the appropriate processes and systems are in place to detect, capture and efficiently respond to fraud and corruption.	
		l. monitor the progress of any major lawsuits facing the local government.	
		m. monitor the progress of self-supporting loans	

Clause	Action	Change	Reason / Recommendation from Regulation 17 review
2.1 Functions		n. meet with the external auditor as required at least once in each year	<p>Reason: These additional clauses provide the Committee with greater clarity on its functions</p> <p>Reg 17 review recommendation: Update the ARMC Terms of Reference to ensure it is consistent with any contemporary requirements of the OAG, including entrance and exit meetings.</p>
5. Tenure	Amend clause to refer directly to the Act.	5 Membership tenure is dealt with in the Act. (5.11 Committee membership, tenure of) accordance with the City's Meeting Procedures Policy.	<p>Reason: The City's Meeting Procedures policy directs readers to the Act. It is considered more practical for this ToR to refer readers straight to the Act.</p> <p>Reg 17 review recommendation: Review the ARMC Terms of Reference to ensure it is consistent with the current ARMC members</p>
10. Terms of reference review	Include a clause identifying that the TOR will be reviewed at least once every two years.	10.1 This Terms of Reference will be reviewed at least once every two years, in line with local government ordinary elections.	<p>Reason: This clause clarifies that a regular review of the TOR will be conducted, aligned with local government elections to ensure the TOR's relevance to the Committee and to make any amendments in line with changes to legislation.</p> <p>Reg 17 review recommendation: Update the ARMC Terms of Reference to include a clause identifying that the Terms of Reference will be reviewed at least once every two years.</p>

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ITEM ARMC2011-1 (Officer's recommendation)

Moved: Cr Adin Lang

Seconded: Cr Frank Mofflin

Council adopt the amended Audit and Risk Management Committee Terms of Reference included at attachment 1 and approve the Council Committees and Groups Register being updated accordingly.

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

ARMC2011-2 ADDRESSING FINDINGS FROM AUDITS

Meeting date:	10 November 2020
Responsible officer:	Manager Governance
Decision making authority:	Council
Agenda attachments:	Nil
Additional information:	Nil

SUMMARY

This report details the processes the City has implemented to address and action:

1. the findings from audits/reviews.
2. the suggested actions from the Systems and Procedures Review - Internal Control (Regulation 17 Review) including accountability for completion and planned completion date.

BACKGROUND

At its meeting held on 11 February 2020, the Audit and Risk Management Committee resolved that:

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

While a progress report on the actions from the Chief Executive Officer's review of the City's systems and procedures – Internal Control (Regulation 17 review) was presented to the Committee at its meeting held on 11 August 2020, the report did not include the responsible officer or a planned completion date as requested by the Committee. The process to address the findings from all audits and reviews the City is the subject of is also included in this report.

The City is required to undertake several audits and reviews annually, including the Chief Executive Officer's Systems and Procedures Review, the Compliance Audit Return and Financial Audits.

The City is also subject to ad hoc audits and/or reviews conducted by the Office of the Auditor General and/or the Department of Local Government.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

There were no legal implications identified as a result of this report.

CONSULTATION

No consultation was undertaken for this report.

OFFICER COMMENT

The City has a procedure outlining how all recommended actions, made during an audit or review, will be captured. This procedure also outlines how the City tracks outstanding recommendations and records the steps taken to address them.

The procedure outlines the process, from the conclusion of an audit or other review to the completion in addressing outstanding recommendations and reporting through to the Audit and Risk Management Committee.

1. Receiving audit/review reports

- a. At the conclusion of an audit or review, a report including any recommended actions is presented in its entirety to the Audit and Risk Management Committee (ARMC).
- b. The details of each report are then captured in the Audit Actions Register (the register) including:
 - i. findings
 - ii. recommendations and/or suggested actions
 - iii. responsible officer
 - iv. any comments provided by the responsible Manager or Director
 - v. any estimated completion dates
- c. If a recommended action is given (as agreed by the City) a “high” or “extreme” risk rating during audit/review, the item will also be added to the Corporate Risk Register.
- d. The relevant Manager or Director will then be asked to comment on a matter raised during the audit/review, comments may include confirmation that the matter has already been addressed, agreement to undertake the recommended action, or an alternative professional recommendation.

2. Process to capture progress when addressing matters from audit/review

- a. Progress on outstanding matters will be updated in the register and will include:
 - i. a comment on the action taken, or planned to be taken
 - ii. an updated estimated completion date (if necessary)
 - iii. comment on any change in estimated completion date
 - iv. Date of final completion (may include further comment)
- b. If a matter has not been completed by the estimated completion date or will likely not be completed, updates will include:
 - i. an explanation for the delay

- ii. a new additional estimated completion date (as the original estimated completion date must NOT be changed)
- c. Following progress updates, the register will be presented to the Executive Team, who will review:
 - i. additional report outcomes
 - ii. possible risk elevation and urgent items
 - iii. amendments to previously recommended actions by officers
 - iv. amended completion dates and justification
- d. Any matters raised by the Executive Team will be addressed by the relevant Manager or Director and a report and the accompanying register will then be prepared for consideration by the ARMC.

It is anticipated that the above process and the regular reporting of the register to the ARMC will address and monitor the progress of the suggested actions from the City's Audits and Reviews.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority required

COMMITTEE RECOMMENDATION ITEM ARMC2011-2 **(Officer's recommendation)**

Moved: Cr Adin Lang

Seconded: Cr Frank Mofflin

Council note the process, detailed in this report, has been implemented to address and action:

- 1. the findings from audits/reviews.**
- 2. the suggested actions from the Systems and Procedures Review - Internal Control (Regulation 17 Review) including accountability for completion and planned completion date.**

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

**ARMC2011-3 INTERIM AUDIT REPORT FOR THE AUDIT PERIOD 1 JULY 2019
- 30 JUNE 2020**

Meeting date: 10 November 2020
Responsible officer: Manager Finance
Decision making authority: Council
Agenda attachments: Office of the Auditor General Interim Audit Report for year ending 30 June 2020
Additional information: Nil

SUMMARY

The interim audit of the City of Fremantle has been completed by Office of the Auditor General (OAG) and they have provided Council with an Interim Audit Report for the year ending 30 June 2020.

This report is presented to the Audit and Risk Management Committee for review and recommends that the Interim Audit result findings and management comments be received.

BACKGROUND

The OAG has conducted an interim audit for financial year ending 30 June 2020 in accordance with their audit plan. The focus of the OAG during the interim audit was to evaluate the overall control environment at the City for them to obtain an understanding of the key business processes, risks and internal controls relevant to the audit of the annual financial report.

During this audit the OAG completed a Capability Maturity Assessment for the City as part of their Information System (IS) audit work to assess how well developed and capable the established IT controls are.

The results of the interim audit and IS audit have been reported by the OAG in the attached Interim Audit Report. This report documents the auditor's findings, rating, implications and their recommendations for the two audits. The findings were discussed with management and management comments are included in the report to outline the actions to be taken to resolve the issues identified by the auditor.

FINANCIAL IMPLICATIONS

There is no direct financial implication with the requirement for this report.

LEGAL IMPLICATIONS

Section 7.12A (2) of the *Local Government Act 1995* and associated Audit regulations require a local government to meet with its auditor at least once in every year.

Section 7.2 of the *Local Government Act 1995* states that, “the accounts and financial statements of a local government for each financial year are to be audited by an auditor appointed by the local government.”

Section 7.9 (1) of the *Local Government Act 1995* states, “An auditor is required to examine the accounts and annual financial report submitted for audit and, by 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of the report to:

- a) The Mayor or President;
- b) The Chief Executive Officer of the local government; and
- c) The Minister.”

*requires an absolute majority of Council.

CONSULTATION

Nil

OFFICER COMMENT

The interim audit report documented the following:

- a. 11 findings in relation to the interim audit results for the year ending 30 June 2020 and
- b. 26 findings in relation to the Information System audit

Attachment A - Findings identified during Interim Audit

Summarised below are the 11 findings from the interim audit:

Index of findings	Rating		
	Significant	Moderate	Minor
1. Assessment of New Accounting Standard AASB16		✓	
2. Manual Journals	✓		
3. Supplier Master Files	✓		
4. Asset Stocktake Procedures		✓	
5. Fixed Asset Reconciliation		✓	
6. Purchase Card Acquittals		✓	
7. Cancellation of Purchasing Cards		✓	
8. TechOne Delegations		✓	
9. Discounts Raised without Approval			✓

10. Daily Banking Summary			✓
Matters outstanding from previous audits			
11. Purchase Orders		✓	

Key to ratings

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.

Moderate Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor Those findings that are not of primary concern but still warrant action being taken.

Two findings were identified in the interim audit as significant and are outlined in the management report as follows.

Finding	Implication	Recommendation
<p>2. Manual Journals</p> <p>We noted several instances of journal entries that were prepared and posted by the same officer, without independent review by a second officer. We also noted from the TechOne users reports that divisions outside of finance have access to approving manual journals.</p>	<p>Rating: Significant</p> <p>If journals are not independently reviewed and approved, there is a risk that erroneous or fraudulent transactions may pass undetected. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved.</p>	<p>We recommend the city implements appropriate levels of user access within TechOne and review segregation of duties so that manual journals are approved by authorised independent officers.</p>
<p>Management Comments</p> <p>Responsibility: Finance Manager</p> <p>Comments:</p> <p>The City acknowledges there were a few instances where journal entries were prepared and posted by the same officer. Some of these were posted on verbal approval.</p> <p>From March 2020 the TechOne system has been re-configured to prohibit journals being prepared and approved by the same officer. This was demonstrated to the auditors at the time of the interim audit. The one</p>		

Finding	Implication	Recommendation
<p>exception is a system created journal to upload daily purchase card transactions from the City's banking software into the TechOne system were one officer is the preparer and approver. However, in this case the file is locked as "accepted" and the officer doesn't have permission to edit the file therefore the City does not consider this as a risk.</p> <p>With regards to the access to approve manual journals the City agrees this should be limited to finance officers only. Even though divisions outside of finance have access to approve journals, it has been determined no journals have been posted by staff outside of the Finance team. The City accepts the current TechOne system access is a potential risk and will conduct a review of the current access and limit to appropriate finance officers.</p> <p>Completion Date: 30 September 2020</p>		

Finding	Implication	Recommendation
<p>3. Supplier Master Files</p> <p>During our audit we noted that although the City has a formal procedure to support the periodical review to changes to the supplier master file we noted:</p> <p>1.) 15 instances where changes to supplier master files did not have evidence to support an independent review was performed for these changes; 2.) 16 finance officers have access to changing supplier master file details; and 3.) 48 active suppliers that have duplicated records in the supplier Masterfile.</p>	<p>Rating: Significant</p> <p>There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred. Duplicated supplier accounts may increase the risk of duplicate payments due to error or fraud.</p>	<p>Management should ensure changes made to the vendor Masterfile are appropriately reviewed and approved by an independent officer, including retaining evidence of this process. System access privileges to the master file should be reviewed to ensure that only appropriate, approved staff have access. The City should also perform periodical reviews to remove/deactivate duplicated supplier records.</p>

<p>Management Comments</p> <p>Responsibility: Procurement Team Leader</p> <p>Comments:</p> <p>The City has a procedure in place since November 2017 in relation to changing supplier bank account details to ensure proper controls and segregation of duties. In addition, the Procurement Team Leader runs and checks a report of all supplier bank account changes that have been made in the system before approving each payment run.</p> <p>Based on these audit findings a refresher of the procedure will be undertaken with the Procurement Officers. The refresher will include revisiting the documentation required and completing checks section of the form for audit trail purposes. A further action will be added to this procedure to undertake an internal audit function. This will be a random check of supplier change of bank account forms and documentation to ensure compliance with the procedure.</p> <p>The City will undertake a review of officers having access to change supplier master files details and update security settings as required.</p> <p>A review of duplicate supplier records was undertaken in July 2019 where it was noted that some suppliers have more than one record due to different address or payment methods. To ensure this remains current this task will be added to the end of financial year procedure and checklist to be completed on an annual basis.</p> <p>Completion Date: 30 September 2020 / 31 March 2021</p>		
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Attachment B – Findings identified during Information Systems Audit

Overall the focus areas and ratings from the Information System (IS) audit are as follows:

Focus Area	Rating
Assess and Manage IT Risks	1
Manage Changes	2
Ensure Continuous Service	2
Ensure Systems Security	1
Manage the Physical Environment	3
Manage Operations	2

A six-scale rating was used to evaluate the City's capability and maturity levels in each of the audit focus areas. A brief description of the criteria is as follows:

Rating criteria:

0 (non-existent)

Management processes are not applied at all. Complete lack of any recognisable processes.

1 (initial/ad hoc)

Processes are ad hoc and overall approach to management is disorganised.

2 (repeatable but intuitive)

Processes follow a regular pattern where similar procedures are followed by different people with no formal training or standard procedures. Responsibility is left to the individual and errors are highly likely.

3 (defined)

Processes are documented and communicated. Procedures are standardised, documented and communicated through training. Processes are mandated; however, it is unlikely that deviations will be detected. The procedures themselves are not sophisticated but are the formalisation of existing practices.

4 (managed and measurable)

Management monitors and measures compliance with procedures and takes action where appropriate. Processes are under constant improvement and provide good practice. Automation and tools are used in a limited or fragmented way.

5 (optimised)

Good practices are followed and automated. Processes have been refined to a level of good practice, based on the results of continuous improvement and maturity modelling with other enterprises. IT is used in an integrated way to automate the workflow, providing tools to improve quality and effectiveness, making the agency quick to adapt.

Summarised below are the 26 findings from the IT system audit report:

Index of findings	Rating		
	Significant	Moderate	Minor
1. Management of technical vulnerabilities	✓		
2. Management of the finance system		✓	
3. Management of the HR payroll system		✓	
4. Information security policies		✓	
5. Risk management		✓	
6. Human resources - staff lifecycle management		✓	
7. Database security		✓	
8. Anti-malware controls		✓	
9. Management of removable media		✓	
10. Remote access management		✓	
11. Network access management		✓	
12. Management of network privileged access		✓	
13. Network logging and monitoring		✓	
14. Network device secure administration		✓	
15. Network segregation and unauthorised network devices		✓	
16. Change management		✓	
17. Backup testing		✓	
18. ICT disaster recovery planning		✓	
19. Management of software licensing		✓	
20. Management of IT assets		✓	
21. Management of users with local administration privileges		✓	
22. Information and communications technology (ICT) governance			✓
23. Information security awareness program			✓
24. Management of the contract register			✓
25. Server room management			✓
26. Service desk management			✓

Key to ratings

The Ratings in this management letter are based on the audit team’s assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.

Moderate Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor Those findings that are not of primary concern but still warrant action being taken.

One finding was identified in the interim audit as significant and are outlined in the management report as follows.

Finding	Implication	Recommendation
<p>1. Management of Technical Vulnerabilities</p> <p>We reviewed the process to manage technical vulnerabilities and identified the following issues:</p> <ul style="list-style-type: none"> • Software security updates (server/workstation patching) do not follow the change management process. • Software security updates are not tested before they are deployed into the live production environment. Although a testing environment is in place, there is no responsible team/person to test security updates. • Decisions to not deploy security updates are not recorded. • The software management system (SCCM) has not been configured to alert staff when security updates on servers have failed to install. • The City does not perform internal vulnerability assessments to identify known technical vulnerabilities. From a sample of 10 critical servers and 4 workstations we found critical and high severity known vulnerabilities on various IT systems. These vulnerabilities 	<p>Rating: Significant</p> <p>Without an effective process for identifying, assessing and addressing relevant known vulnerabilities within a timely manner, there is an increased risk that IT systems are not adequately protected against potential threats. These vulnerabilities could be exploited which may result in unauthorised access to IT systems and information.</p> <p>Unsupported operating systems do not receive security and/or vulnerability updates from the product vendor. As a result, these vulnerabilities could be exploited to compromise the IT systems and information.</p>	<p>The City should:</p> <ul style="list-style-type: none"> • develop and implement an effective vulnerability management process to make sure all relevant known security vulnerabilities are identified. Following successful testing, relevant updates should be applied in a timely manner • appropriately record decisions along with any mitigations, to not address any known vulnerabilities • configure the software management system to send out notifications to relevant staff, when security updates fail to deploy • migrate or upgrade any unsupported IT systems onto up-to-date platforms that

Finding	Implication	Recommendation
<p>relate to unsupported systems, missing patches and security configurations. Some of these vulnerabilities have exploits available.</p> <ul style="list-style-type: none"> • 17 active devices running on unsupported operating systems. • Over 40 devices that have already been decommissioned but have not been appropriately removed from AD. 		<p>are fully supported by the vendor</p> <ul style="list-style-type: none"> • remove decommissioned devices from AD in a timely manner.
<p>Management Comments</p> <p>Responsibility: Manager of Information Technology</p> <p>Comments:</p> <p>The Security Update Software (SCCM) is still being configured and optimised to meet requirements as it is a relatively new platform for the City. Alerts will be enabled as per the recommendation. During this audit, the City was migrating to a new Server Operating Environment (SOE) for our production environment which will allow the removal of all unsupported operating systems. Legacy environments that require the older operating systems to function will be powered down and accessed securely only when required.</p> <p>Completion Date: 2020 – 2021 FY</p>		

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

COMMITTEE RECOMMENDATION ITEM ARMC2011-3 (Officer's recommendation)

Moved: Cr Adin Lang

Seconded: Cr Frank Mofflin

Council receive the Interim Report from Office of Auditor General (OAG) for the year ending 30 June 2020.

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

ARMC2011-4 REVIEW OF CERTAIN SYSTEMS AND PROCEDURES BY THE CHIEF EXECUTIVE OFFICER REQUIRED BY REGULATION 17 – RISK MANAGEMENT

Meeting date:	10 November 2020
Responsible officer:	Manager Governance
Decision making authority:	Council
Agenda attachments:	1. Civic Legal Systems and Procedures Review, Risk Management - Final Report
Additional information:	1. Nil

SUMMARY

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

BACKGROUND

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

1. The Chief Executive Officer is to review, at least once every three years, the appropriateness and effectiveness of a local government's systems and procedures in relation to:
 - a) Risk management
 - b) Internal control and
 - c) Legislative compliance.

The City of Fremantle (the City) has engaged Civic Legal to undertake an extended Regulation 17 (reg 17) review of the City's systems and procedures in relation to risk management, internal control and legislative compliance. One of the three categories listed above will be reviewed each year, for three consecutive years.

Conducting the review over an extended period of time allows for a more in-depth review of each of these areas. It is anticipated that this closer look at the City's systems and procedures in relation to those categories will allow a better understanding of how the City can better achieve 'best practise' principles across the organisation while also meeting the requirements of the Act.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

The review did not identify any breaches of legislation.

CONSULTATION

No external consultation was undertaken.

OFFICER COMMENT

The attached report reviews risk management and is the second of three reports to be delivered by Civic Legal over a three-year contract period.

The review of internal control was undertaken in 2019, and progress on the suggested actions from that review is being reported to the Committee via the Audit Actions Register.

The review did not identify any breaches of legislation or other significant gaps in risk management practices which would require immediate action, and Civic Legal have suggested the City may benefit from improvements to systems and procedures relating to risk management as identified in the “table of results” attached to this report.

Following the final report on risk management being provided to the City, Managers who were consulted during the review were given the opportunity to provide comments in response to the ‘suggested actions’ outlined within the report. These comments are included in the ‘table of results’ as attached to the report and may also include a comment from the relevant Manager/Director. Comments may include confirmation that the matter has already been addressed, agreement to undertake the recommended action, or an alternative professional recommendation.

Civic Legal have suggested that the City prioritise six of the actions outlined in their report as follows, item 6 has already been completed:

No#	Suggested action	City’s response
1.	Schedule regular reviews into the City’s calendar to ensure all key documents remain contemporary. Key documents include policies, plans, Standard Operational Procedures, Management Directions and procedures.	The City is currently working on reviewing all key documentation, however a universal calendar with scheduled reviews is not considered to be practicable or best practise given the varying subjects and City departments involved in developing and reviewing key documentation.
2.	Introduce additional policies to assist in mitigating risk including an IT Security Policy.	The City’s IT team are currently working to develop an IT Security policy as part of a project to review all Cybersecurity and Disaster Recovery documentation. To be completed 20/21 FY.

3.	Prioritise risk management training for both staff and councillors. This includes risk management and risk reporting training for relevant staff.	Training with Managers and ELT took place in August 2020 to further clarify and understand the risk process and responsibilities. The City aims to roll out basic training across all levels in early 2021.
4.	Introduce a procedure for conducting regular emergency evacuation exercises at all occupied City buildings.	Emergency evacuation plans will be put in place to all buildings manned by council staff. The Asset and Property officer will check tenants are undertaking their own procedures in leased buildings.
5.	Formalise the procedure for working with tenants to ensure leased buildings meet relevant standards for evacuation protocols	Emergency evacuation plans will be put in place to all buildings manned by council staff. The Asset and Property officer will check tenants are undertaking their own procedures in leased buildings.
6.	Include 'risk' as a discussion topic in all management teams agenda templates to ensure emerging risk management issues are identified and addressed as required (e.g. discuss incidents within relevant teams to establish learnings);	City reviewed current Policy and Guidelines in August and September 2020. The responsibilities and reporting process was clarified. Risk is now a monthly topic at Management Team meetings and Executive Leadership Team meetings. Training with Managers and ELT took place in August 2020 to further clarify and understand the risk process and responsibilities

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ITEM ARMC2011-4 **(Officer's recommendation)**

Moved: Cr Adin Lang

Seconded: Cr Hannah Fitzhardinge

Council:

- 1. Receive the final report as shown in attachment 1, relating to the review by the Chief Executive Officer of certain systems and procedures in the area of risk management, as required by Regulation 17 of the *Local Government (Audit) Regulations 1996*.**
- 2. Approve the City to undertake the following actions recommended in the review.**
 - a. Risk reporting**
The City aims to roll out basic risk reporting training to all staff
 - b. Incident reports**
 - Development of E-form for registering possible insurance incidents

- This will then be raised with ELT and Managers and then raised at team meetings
- c. **Insurance coverage**
 - Conduct an internal meeting prior to meeting with LGIS to identify questions or concerns
 - Develop an insurance management policy or procedure to guide employees when conducting the annual insurance meeting and deciding on an appropriate insurance cover.
- d. **Information technology (IT) security protocols**
 - Review the need to introduce a compliance calendar.
 - The Information Security Risk Management Plan is currently being reviewed and updated.
- e. **IT security policy and standards**

Currently developing an IT Security policy as part of a project to review all Cybersecurity and Disaster Recovery documentation.
- f. **IT Disaster Recovery Plan (DRP)**

Currently reviewing the IT DRP as part of a project to review all Cybersecurity and Disaster Recovery documentation.
- g. **Communicating IT changes to employees**

The City will review its existing change procedure for selecting and implementing new software.
- h. **Occupational safety and health framework**

Review the Occupational Health and Safety Management Direction
- i. **Project reviews and physical inspections**

The City will review the Project Management Framework and include guidance on project inspection frequency.
- j. **Identifying and minimising misconduct, fraud and theft**
 - Transaction Card Policy and Procedure is under review.
 - Fraud and misconduct is covered in a number of policies and procedures organisation wide. Further reminders and training is required in this area.
- k. **Contract management**

A Contract Management Plan template is under development and will be available alongside the recently adopted Contract Procedures.
- l. **Communicating risk to employees**

Include 'risk management' in the new internal meeting agenda template
- m. **Communicating risk to stakeholders**

Implement a Risk Management Policy that encompasses communicating risk to stakeholders for all events and functions.
- n. **Inductions and on-boarding**

Develop an e-form checklist to ensure managers sign off on tailor made inductions for their team members

Role descriptions Specify risk management requirements in manager/ supervisor role descriptions, and others where warranted.

o. Performance reviews

Encourage relevant employees to include goals/objectives in their SSA program which relates to risk management strategy.

p. Building access and security

An e-form is currently being prepared to control changes to security access cards. Changes will only be undertaken when the relevant manager has given approval on the form.

q. Emergency evacuation procedures

- Emergency evacuation plans will be put in place to all buildings manned by council staff.**
- The Asset and Property officer will check tenants are undertaking their own procedures in leased buildings.**

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

ARMC2011-5 REVIEW OF INVESTMENT POLICY (SG41)

Meeting date:	10 November 2020
Responsible officer:	Director City Business
Decision making authority:	Council
Agenda attachments:	1. Amended Investment Policy (SG41)
Additional information:	1. Consultant Review Report

SUMMARY

Review and amend the Investment Policy (SG41) to ensure investments align with council values and desired returns.

This report recommends that Council amend the Investment Policy (SG41) in the areas of portfolio and counterparty credit framework to allow additional flexibility in the tier 3 and 4 categories of investment to support opportunity to improve the divestment from fossil fuel.

BACKGROUND

The City of Fremantle Investment Policy (SG41) provides the framework for the investment of surplus funds being held by the City. It sets parameters for portfolio risk and distribution of investments and considers how the City diversifies investments away from institutions which financially support entities mining or developing fossil fuels.

The Policy was last amended in 2014 and is due for review.

FINANCIAL IMPLICATIONS

Nil.

LEGAL IMPLICATIONS

Local Government Act 1995

Trustees Act 1962

Local Government (Financial Management) Regulations 1996

Local Government (Financial Management) Amendment Regulations 2012

Australian Accounting Standards

Generally, local governments are to follow the principle of the “prudent person” when undertaking investment of surplus funds in accordance with the *Trustees Act*, but are limited in where funds can be invested by the *Local Government Act* and subsidiary regulations.

CONSULTATION

Nil.

OFFICER COMMENT

The process of investment of surplus funds has seen the City maintain regular banking arrangements for everyday transactions and initial holding of deposited funds, then as funds build to an appropriate level the City reviews and transfers these deposits in accordance with the Policy.

In 2014 the City amended the Investment Policy to include provision for diversification from investment in products or institutions supporting mining or investment in fossil fuels.

The portfolio and counterparty elements of the policy were amended to consider investment in products with lower credit ratings to allow the City to invest in products with a lower credit rating than standard financial institutions such as the big four banks, with lower investment amount being made in these institutions to maintain acceptable risk levels.

Post the global financial crisis (GFC) in 2008 the federal government guaranteed deposits in approved financial institutions in Australia to provide security in the Australian banking system for deposits up to \$1m. From February, 2012, this amount was reduced to deposits up to \$250,000.

Amendments were also made to the Local Government Regulations in 2012 as a result of the collapse of the sub-prime market which required all investments to be denominated in Australian Dollars and limited to:

- Deposits with authorised deposit taking institutions,
- Deposit for a fixed term no greater than 3 years,
- Commonwealth / State / Territory Government Bonds, and
- Bonds with a term to maturity no greater than 3 years

With the development of the current policy and diversification from fossil fuels, the City has used information provided by Market Forces Australia to assist in determining approved financial institutions which do not support fossil fuel organisations. The current policy framework has worked well for the City and has seen periods of strong divestment away from fossil fuel supporting institutions.

Over time the terms and assessment of these financial institutions has changed and as a result the City is finding it a little more difficult to balance divestment from fossil fuels and maintain the level of risk provided through the counterparty framework of the Policy.

The City engaged a consultant to assist in reviewing the policy and, in particular, the portfolio credit framework and counterparty credit framework to consider any possible changes to allow the City to manage its ability to undertake the fossil fuel divestment. The consultant has recommended a minor change to the framework in the percentages allocated to tier 3 and tier 4 categories to allow for some greater flexibility. These changes are recommended on the premise that Australian financial institutions are regulated through very controlled oversight by the Australian Prudential Regulation Authority (APRA) and there is limited risk in APRA allowing an

ADI in Australia to fail. A copy of the consultant report is provided as an attachment to this agenda.

Further consideration by the consultant was how the Policy might review its performance. In a time of very low interest rates this might not provide significant benefit but would do so as the rates return to “normal” over time. The proposed amended Policy includes a new section to review performance of the investment portfolio benchmarked against the Bloomberg AusBond Bank Bill Index (BBI).

The portfolio’s performance of each investment should be greater than or equal to the applicable benchmark by sufficient margin to justify the investment taking into account its risks, liquidity and other benefits of the investment. That being said, it is a benchmark to review against and will need to be considered against the strategy of divestment. Where one competes against the other, the Policy stipulates that divestment is preferred.

The consultant also included changes to allow the City to use a third party agent to invest on the City’s behalf. It is not recommended to add this element to the policy as the City believes it is resourced to undertake investments itself.

A copy of the revised Investment Policy is also attached. The copy highlights tracked changes for ease of review by council.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ITEM ARMC2011-5 **(Officer’s recommendation)**

Moved: Cr Adin Lang

Seconded: Cr Hannah Fitzhardinge

Council adopt the amended Investment Policy (SG41), as included in attachment 1.

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

ARMC2011-6 PURCHASING POLICY AMENDMENTS

Meeting date:	11 November 2020
Responsible officer:	Manager Finance
Decision making authority:	Council
Agenda attachments:	1. Purchasing Policy
Additional information:	1. Nil

SUMMARY

This report is to update the current Purchasing Policy to include provisions to increase the City's expenditure locally and with disadvantaged providers – such as Indigenous businesses and disability access groups.

This report recommends that Council adopt the new Purchasing Policy.

BACKGROUND

The current Purchasing Policy was adopted by Council in April 2020. It was updated at that time to include amendments to the *Local Government (Function and General) Regulations 1996*, due to the impacts of COVID-19.

These amendments included an increase in the contract value, for the requirement to call Public Tenders, from \$150,000 to \$250,000 and the ability to extend expiring contracts during a state of emergency, by a further 12 months.

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

The proposed Purchasing Policy meets the legislative requirements of:

- S3.57 of the *Local Government Act 1995* ("the Act"); and
- Regulation 11 of the *Local Government (Functions and General) Regulations 1996* ("the Regulations").

CONSULTATION

Nil

OFFICER COMMENT

The proposed Purchasing Policy has been updated to reflect the WA State Government's 'Local Buy' policy. The proposed policy requires City Officers to seek at least one quotation from either a Local supplier, an Indigenous supplier, a WA Disability Enterprise or a business located in the South West Local Governments Group, for all purchases up to and including \$249,999 (ex GST).

A Local Supplier is defined in the policy as:

“a supplier with an office, or workshop or retail presence in the following locations: Beaconsfield, Fremantle, Hilton, North Fremantle, O’Connor, Samson, South Fremantle and White Gum Valley”

Buying locally also works towards the City achieving equity and local economy targets set out in the Council’s Fremantle One Planet Strategy 2014/2015 – 2019/2020.

The proposed policy by, requesting Officers to seek quotes from Indigenous businesses registered with Supply Nation and the Aboriginal Business Directory WA, will help the City achieve its Walyalup Reconciliation Action Plan (WRAP) target of 2% of expenditure with Indigenous businesses. The same consideration is made for purchases from WA Disability Enterprises again assisting the City achieve targets in its Disability Access and Inclusion Plan.

In line with recent audit recommendations the proposed purchasing policy also introduces a requirement that all purchases over \$149,999 are now reviewed by an evaluation panel of 3 members before a recommendation is agreed by the City’s Major Procurement Approvals Panel (MPA).

All proposed changes are shown in the table below:

Purchase Threshold	Current Policy Wording	Proposed Policy Wording	Amended Decision Making Process
Up to \$1,999	One (1) verbal quote	One (1) verbal quote. The quote should be sourced from: a local supplier* or; an Aboriginal Business† or; a WA Disability Enterprise‡ or; an organisation located within the South West Group of Local Governments∞; where available	None
\$2,000 to \$9,999	Request 2 quotations and obtain <i>at least</i> one (1) written quote.	Request 2 quotations and obtain <i>at least</i> one (1) written quote. At least one quotation should be sourced from a local supplier* or; an Aboriginal Business† or; a WA Disability Enterprise‡ or; an organisation located within the South West Group of Local Governments∞; where available.	None

<p>\$10,000 to \$49,999</p>	<p>Request 3 quotations and obtain <i>at least</i> two (2) written quotations. Quotations to be requested in writing, through an ePortal (eg WALGA eQuotes) or via email</p>	<p>Request 3 quotations and obtain <i>at least</i> two (2) written quotations. One quotation should be sourced from a local supplier* or; an Aboriginal Business† or; a WA Disability Enterprise‡ or; an organisation located within the South West Group of Local Governments∞; where available.</p> <p>Quotations to be requested in writing, through an ePortal (e.g. WALGA eQuotes) or via email</p>	<p>None</p>
<p>\$50,000 to \$249,999</p>	<p>Obtain <i>at least</i> three (3) formal written quotations (RFQ) in consultation with the procurement team. Can be issued via an ePortal (eg WALGA eQuotes) or via email</p>	<p>Obtain <i>at least</i> three (3) formal written quotations (RFQ) in consultation with the procurement team. At least one quotation should be sourced from a local supplier* or; an Aboriginal Business† or; a WA Disability Enterprise‡ or; an organisation located within the South West Group of Local Governments∞; where available.</p> <p>Quotations can be issued via an ePortal (e.g. WALGA eQuotes) or via email.</p>	<p>A written evaluation is to be made of the offers by the requesting officer and approved by a Manager for all purchases up to \$149,999.</p> <p>All purchases \$150,000 - \$249,999 shall be evaluated by a panel of 3 members with the recommendation approved at a meeting of the Major Procurement Approval (MPA) panel</p> <p>Director approval is required before requesting quotes for goods or services over \$149,999</p>

No other changes have been made or are proposed to the Policy.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ITEM ARMC2011-6
(Officer's recommendation)

Moved: Cr Adin Lang

Seconded: Cr Frank Mofflin

Council adopt the amended Purchasing Policy, as included in attachment 1.

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

ARMC2011-7 OVERDUE DEBTORS REPORT AS AT 30 JUNE 2020

Meeting date:	10 November 2020
Responsible officer:	Manager Finance
Decision making authority:	Council
Agenda attachments:	1. Summary of Overdue Debts above Threshold (Confidential attachment provided in confidential agenda)
Additional information:	Nil

SUMMARY

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

This report recommends that Council receive the overdue debtors report and acknowledge the overdue debts exceeding ninety (90) days with the combined value exceeding \$10,000 as at 30 September 2020.

BACKGROUND

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

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

FINANCIAL IMPLICATIONS

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

As at year ending 30 June 2020 an amount of \$584,675 was held as an allowance for impairment of receivables. As at the 30 September 2020 the current allowance held as impairment is \$428,454 with \$156,221 being written off to date.

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

Total Write-offs	\$92 + GST
Total Waivers	\$156,129 + GST

Since the last report, 11 occurrences of delegated authority to waive or write off debts valued at \$1,000 or above per debtor by officers has occurred. Currently \$289,021 has been identified for potential write-off/waiver.

Summary of Sundry Debtor's Debts Written-off

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

Summary of Rates Debtors Debts Written-off

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

Summary of Sundry Debtor's Debts Waived

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
2092471	Bird Books Pty Ltd	10,550	Commercial Property 2019/20 & 2020/21	Director - City Business
2093091	Jina Lee	3,039	Commercial Property 2019/20 & 2020/21	
2090107	Fremantle Arts Centre Café	8,514	Commercial Property 2019/20 & 2020/21	
2090138	Moore & Moore Food & Drink	11,745	Commercial Property 2019/20 & 2020/21	
2090834	David Giles Art Gallery	5,893	Commercial Property 2019/20 & 2020/21	
2090700	Mr Glen Martin Cowans	5,018	Commercial Property 2019/20 & 2020/21	
2019979	The Italian Club Fremantle	4,549	Commercial Property 2019/20	
2090779	Van Thang Doan	8,370	Commercial Property 2019/20	

2092434	Coolchest Pty Ltd	11,470	Commercial Property 2019/20	
2090054	Royal Fremantle Golf Course Pty Ltd	10,546	Commercial Property 2019/20	
Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
2090062	Fremantle Markets Pty Ltd	76,435	Commercial Property 2019/20	Chief Executive Officer
	TOTAL	156,129		

LEGAL IMPLICATIONS

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

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

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

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

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

CONSULTATION

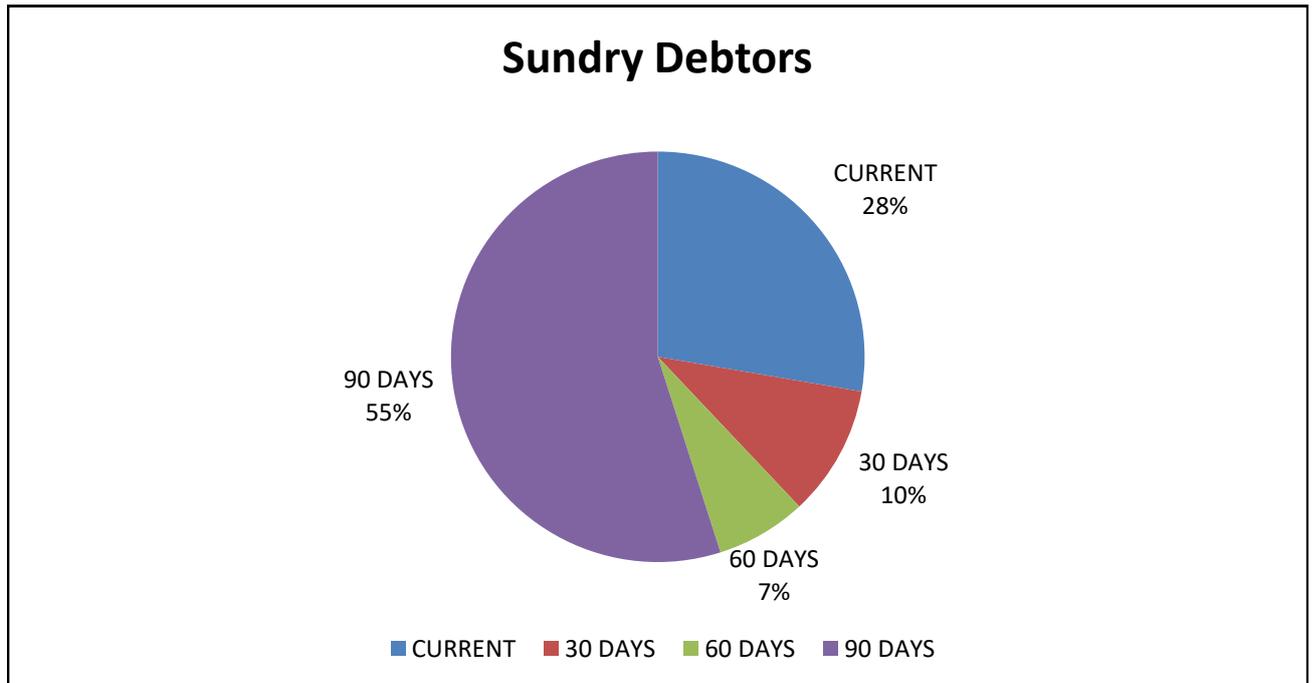
NIL

OFFICER COMMENT

The total of debtors outstanding as at 30 September 2020 is \$1,466,422. A breakdown of aged debt for the current period compared to prior year for the same period is tabled below.

Period Ending September	Current	30 Days	60 Days	90+ Days	Total
July 20 – September 20	28%	10%	7%	55%	100%
	406,320	151,055	103,954	805,093	1,466,422
July 19 – September 19	432,911	301,939	51,254	149,558	935,662

Of the total debt balance, the amount outstanding for 90+ days is \$805,093 or 55%. Below is a graph of the aged debt balances as at 30 September 2020.



Compared to the report of overdue debtors as at 30 June 2020, presented to Audit and Risk Management Committee at the 11 August 2020 meeting, the total value of outstanding debtors has increased by \$254k.

Outstanding debt over 90 days has increased from \$551k at the end of the previous quarter to \$805k. The number of overdue debtors above reporting threshold is 21 with a total value of \$802,469.

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

The confidential attachment contains debtor information in relation to the \$802,469 of outstanding debtors exceeding 90 days with a combined value exceeding \$10,000 with comments and background.

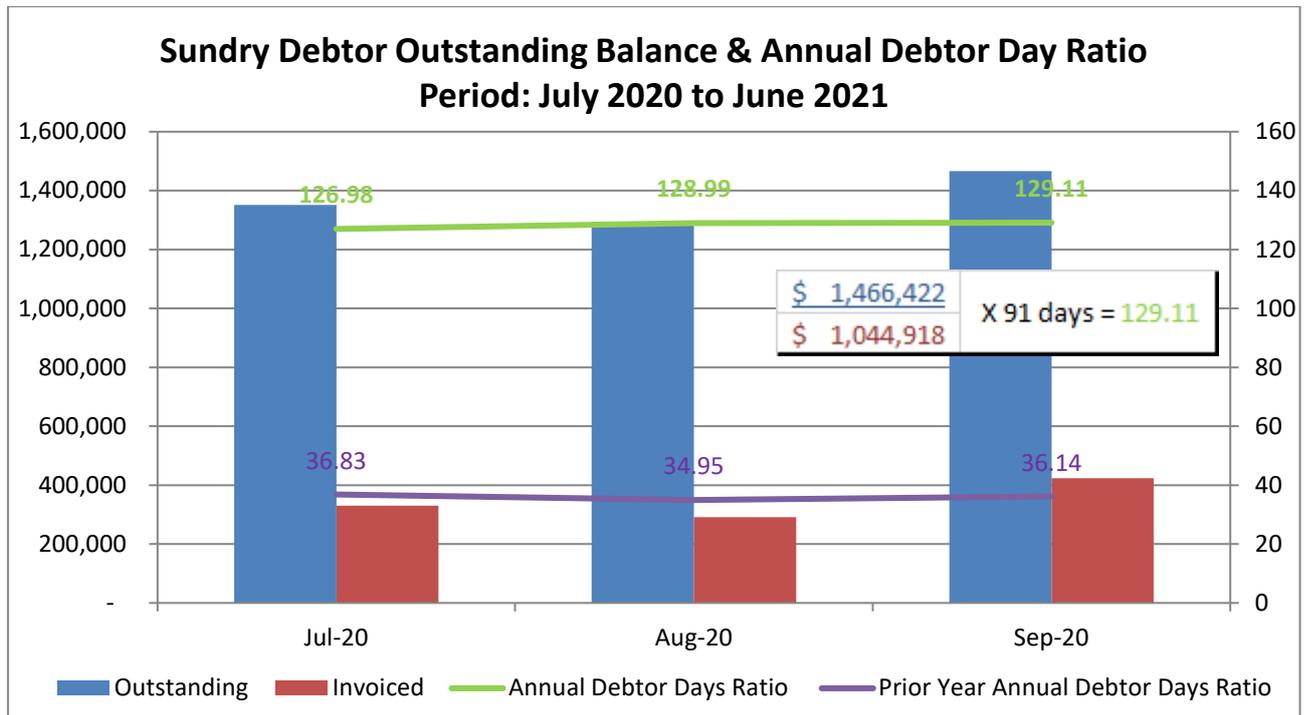
Debtors Outstanding

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

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

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

At July 2020, \$1,067,654 of invoices raised in 2019/20 were outstanding resulting in outstanding debt exceeding the amount invoiced during July 2020. Identified write-offs/waivers amounted to \$156k and have resulted primarily from the City’s commercially leased properties.



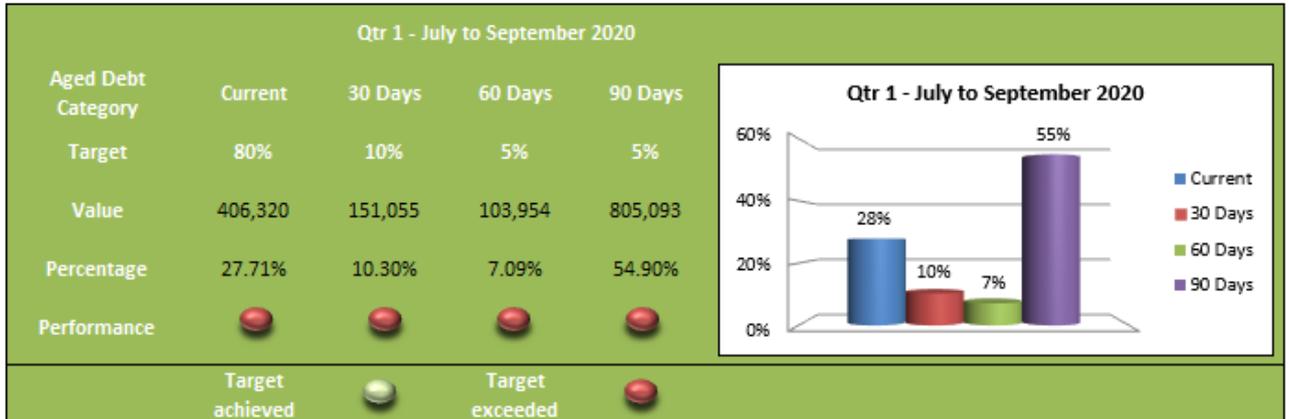
At reporting date, the debtor day ratio was 129.11 an increase from the prior reporting period. Of outstanding debt, 28% related to current invoices that were not yet due.

Key Performance Indicators

The Audit Risk Management Committee recommended a performance measure be included to provide a reporting date ‘snapshot’ of performance against agreed indicators.

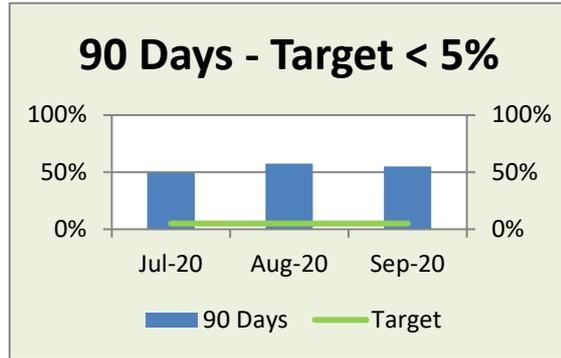
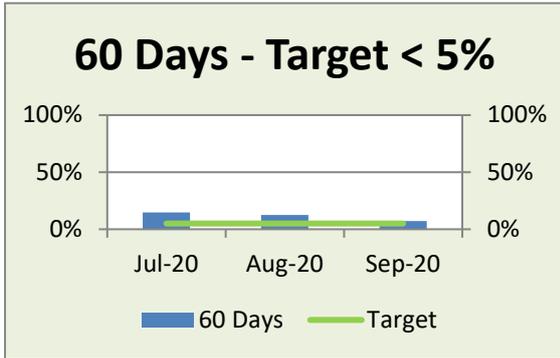
Internal debt management procedures have been reviewed resulting in Officers engaging with debtors earlier where an amount is considered to have an increased risk of default. Upon review of debt levels over prior financial years, Officers consider reasonable and recommend the following targets against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

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



Of total overdue debt, Commercial Properties account for 58% (\$855k). Five Commercial Property debtors account for \$465k of invoices overdue for more than 90 days. Payment arrangements had been agreed however due to COVID-19 and the adoption of the Commercial Tenancies (COVID-19) Response Act 2020, City officers are liaising with all tenants to provide assistance as appropriate.

The following charts demonstrate performance against the recommended target for each aged debt category by period to reporting date for this financial year. As discussed above, much of the longer-term debt relates to the commercial tenants during the COVID shutdown period. Further write-offs for commercial debt are to be expected and the City's Economic Development team is monitoring the COVID environment and scenario planning any impact that may result in Western Australia. It is anticipated the position on this debt will be better known by October 2020.



VOTING AND OTHER SPECIAL REQUIREMENTS

Simple Majority Required

COMMITTEE RECOMMENDATION ITEM ARMC2011-7
(Officer’s recommendation)

Moved: Cr Adin Lang

Seconded: Cr Hannah Fitzhardinge

Council receive the overdue debtors report and acknowledge the overdue debts exceeding ninety (90) days with the combined value exceeding \$10,000 as at 30 September 2020.

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

ARMC2011-8 PURCHASING POLICY EXEMPTIONS AUGUST TO OCTOBER 2020

Meeting date:	10 November 2020
Responsible officer:	Manager Finance
Decision making authority:	Council
Agenda attachments:	1. Purchasing Policy Exemption Details August to October 2020 (<i>confidential attachment provided in confidential agenda</i>)
Additional information:	1. Nil

SUMMARY

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

This report recommends that Council receive the Purchasing Policy Exemptions report for August 2020, September 2020 and October 2020.

BACKGROUND

At the Ordinary Council Meeting of 15 April 2020, Council adopted a new purchasing policy. The policy contains a list of tender exemptions (exempt under Regulation 11(2) of the *Local Government (Functions and General) Regulations 1996*) and policy exemptions. Under this policy all exemptions used by the City are to be reported to the Audit and Risk Management committee.

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

Nil

CONSULTATION

Nil

OFFICER COMMENT

August 2020

The total value of spending exempt from the City of Fremantle Purchasing Policy is \$21,406.00 for the month of August 2020.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consultancy / Legal Advice and OEM Exemptions	\$120,000.00
Total	\$120,000.00

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

September 2020

The total value of spending exempt from the City of Fremantle Purchasing Policy is \$89,369.00 for the month of September 2020.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consultancy / Legal Advice and OEM Exemptions	\$89,369.00
Total	\$89,369.00

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

October 2020

The total value of spending exempt from the City of Fremantle Purchasing Policy is \$74,333.00 for the month of October 2020.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consultancy / Legal Advice and OEM Exemptions	\$28,283.00
Artist Exemptions	\$42,250.00
Sole Source of Supply Exemption	\$3,800.00
Total	\$142,231.90

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

The process for requesting Artist exemptions was amended to require exemptions before contracts or Purchase orders are awarded. This has resulted in artistic fees required for the A Forest of Hooks and Nails at FAC and Design Freo - Object Space Place event at FAC being agreed and paid for in advance. All costs were budgeted and approved at the 8 July 2020 special Council meeting.

VOTING AND OTHER SPECIAL REQUIREMENTS

Information only no decision required

COMMITTEE RECOMMENDATION ITEM ARMC2011-8
(Officer's recommendation)

Moved: Cr Adin Lang

Seconded: Cr Frank Mofflin

Council receive the Purchasing Policy exemptions report for the period August 2020 to October 2020 inclusive.

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

ARMC2011-9 INFORMATION REPORT – NOVEMBER 2020**STATUS REPORT OF COUNCIL MOTIONS – 1 JULY 2020 TO 30 SEPTEMBER 2020**

Responsible officer:	Manager Governance
Agenda attachments:	Status Report of Council motions – 1 July 2020 to 30 September 2020
Additional information:	Nil

Best practice principles support the recording and reporting of actions taken on Council decisions to ensure they are implemented, and the actions are completed in a timely manner. Where possible, Council decisions are actioned as soon as practicable after a Council meeting; however, there are projects or circumstances that mean some decisions take longer to implement than others.

The City keeps a register of all decisions made at Council and Committee meetings. This register does not capture ongoing progress of projects and related activities, only how the initial decision has been, or will be, actioned. For instance, the register will record the adoption of a plan and the actions needed to disseminate and publish that plan, however the register will not include the instances where the plans actions are undertaken.

The attached register excerpt provides the status of the actions taken by responsible officers in response to all council decisions. The register excerpt has been organised into separate parts for ease of understanding and reference, as attached:

Part 1. Motions incomplete and ongoing in reporting period

The motions included in this section are those decisions that have not yet been fully actioned. Progress comments or explanations are provided.

Part 2. Development Application motions completed in reporting period

The motions included in this section are those decisions about Development Applications (DA's) that have been completed. They have been grouped for ease of reference only.

Part 3. Motions other than completed DA's completed in reporting period

The motions included in this section are all other decisions made by Council (except DA's that have been completed, captured above at part 2).

Part 4. Motions where no action was required in reporting period

The motions included in this section are from those reports that were provided to Council for information only.

STATUS REPORT OF AUDIT ACTIONS TO 30 SEPTEMBER 2020

Responsible officer:	Manager Governance
Agenda attachments:	Audit actions progress report 30 September 2020
Additional information:	Nil

Officers have developed a central register to capture all recommended actions agreed to be undertaken by the City as suggested or recommended as a result of an audit.

Information from an audit or review report is inputted into the Audit Actions Register (the register) including the findings, recommendations/suggested actions, the responsible officer and the initial comment provided by the responsible Manager/Director to the auditor/reviewer.

When an item is given a rating (as agreed by the City) of “high’ or “extreme”, the item will be added to the Corporate Risk Register.

The report attached provides a summary of the progress the City has made in response to the recommendations/suggested actions in an audit or review findings report.

Where an action has been completed, a summary of the action taken and the completion date are recorded.

The audits or reviews in this progress report are:

1. Systems and Procedures Review – Internal Control
2. Regulation of Consumer Food Safety by Local Government Entities
3. Financial Management Review

AUDITS AND REVIEWS – JULY 2018 - CURRENT

Responsible officer: Manager Governance
Agenda attachments: Nil
Additional information: Nil

Committee members have requested a list be presented to the Committee, detailing the audits and reviews that the City has been, or is, involved in during the last 2 financial years.

The City is required to undertake a range of internal and external audits and reviews required under legislation. The Office of the Auditor General also conducts performance audits, of which the City has been the subject of.

The Chief Executive officer has also implemented an Administration policy – Internal Review, which details the timeframes for audits and reviews required by legislation to be undertaken for the time period 2019-2021.

The table below contains information on audits and reviews that have been completed over the past 2 financial years, to provide a broader representation of the audits and reviews that have been conducted.

Audits and reviews since July 2018			
Audit type	Audit	Completion date	Presented to ARMC
Legislated (Annual)	Interim Audit Report (Annual Financial Report) YE 2018	31/7/2018	7/8/2018
OAG Performance	OAG Procurement Performance Report	11/10/2018	20/11/2018
Legislated (Annual)	Annual financial statements 2017/2018 Independent Auditor's Report and Management Report	28/11/2018	20/11/2018
Legislated (Annual)	2018 Compliance Audit Return	28/1/2019	12/2/2019
Legislated (once in every 3 FY's)	Review of Certain Systems and Procedures by the Chief Executive Officer Required by Regulation 17 of the Local Government (Audit) Regulations 2016/2017, 2017/2018 and 2018/2019 Procurement, project management and contract management	14/5/2019	7/8/2018 (update) 20/11/2018 (update) 14/5/2019 (final)
Legislated (Annual)	Interim Audit Report (Annual Financial Report) YE 2019	11/6/2019	13/8/2019
Legislated (Annual)	Annual financial statements – 2019 Independent Auditor's Report Audited financial statements	5/12/2019	13/1/2020
Legislated (at least once in every 3 FY's)	Review of certain systems and procedures - internal control by the chief executive officer required by regulation 17 of the local government (audit) regulations Internal control	December 2019	11/2/2020

Audit type	Audit	Completion date	Presented to ARMC
Legislated (Annual)	2019 compliance audit return	14/1/2020	11/2/2020
Legislated (once in every 3 FY's)	Financial management Review report – June 2020	19/6/2020	11/8/2020
OAG Performance	OAG Regulation of consumer food safety audit	30/6/2020	11/8/2020

The audits and reviews in the following tables are currently in progress or are already planned or legislated for. The Office of the Auditor General also conducts performance audits and focus area audits where the City may be included as an audited entity.

Audit/review in progress or scheduled		
Audit type	Audit	Estimated start/end date
Legislated (once in every 3 FY's)	Review of Certain Systems and Procedures by the Chief Executive Officer Required by Regulation 17 of the Local Government (Audit) Regulations Risk management	Report in this agenda
Legislated (Annual)	Interim Audit Report (Annual Financial Report) – YE 2020	Report in this agenda
OAG Capability Maturity Assessment	Information systems	Report in this agenda
Audit/review scheduled		
Audit type	Audit	Estimated start/end date
Legislated (Annual)	Annual financial statements – 2020	August – November 2021
Legislated (once in every 3 FY's)	Review of Certain Systems and Procedures by the Chief Executive Officer Required by Regulation 17 of the Local Government (Audit) Regulations Legislative compliance	August – November 2021
Legislated (Annual)	2020 Compliance audit return	December-March 2021

COMMITTEE RECOMMENDATION ITEM ARMC2011-9
(Officer's recommendation)

Moved: Cr Adin Lang

Seconded: Cr Hannah Fitzhardinge

Council receive the following information reports for November 2020:

- 1. Status report of council motions – 1 July 2020 to 30 September 2020**
- 2. Status report of audit actions to 30 September 2020**
- 3. Audits and reviews – July 2018 - current**

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

8. Motions of which previous notice has been given

Nil

9. Urgent business

Nil

10. Late items

Nil

11. Confidential business

**ARMC2011-10 CONFIDENTIAL REPORT – RISK (EMERGING OR SIGNIFICANT)
REPORT NOVEMBER 2020**

Meeting date: 10 November 2020
Responsible officer: Director City Business
Decision making authority: Council
Agenda attachments: 1. Nil.
Additional information: 1. Nil.

REASON FOR CONFIDENTIALITY

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

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

12. Closure

The Presiding Member declared the meeting closed at 7.09 pm.