



# Minutes

## Audit and Risk Management Committee

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Tuesday, 11 August 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, 11 August 2020** at 5.30 pm.

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### 1. Official opening, welcome and acknowledgement

The Presiding Member declared the meeting open at 5.30 pm.

#### 2.1. Attendance

Dr Brad Pettitt	Mayor
Cr Adin Lang	Presiding Member/City Ward
Cr Frank Mofflin	Deputy Presiding Member/Hilton Ward
Cr Hannah Fitzhardinge	Beaconsfield Ward ( <i>arrived at 5:37 pm</i> )
Mr Phillip Draber	External Advisor / member
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
Ms Narelle French	Manager Finance
Ms Charlie Clarke	Manager Governance
Mr Mark Donnelly	Manager Field Services
Ms Emma Aiberti	Revenue Team Leader
Mr Kevin Porter	Procurement Team Leader
Mr Kenan Bender	Senior Environmental Health Officer
Ms Anne-Marie Bartlett	Meeting Support Officer

#### 2.2. Apologies

Cr Doug Thompson                      North Ward

#### 2.3. Leave of absence

Nil

### 3. Disclosures of interests by members

Cr Frank Mofflin declared an **impartiality** interest in item number ARMC2008-3. Cr Mofflin is a member of a group mentioned in the confidential attachment.

**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 minutes of the Audit and Risk Management Committee were confirmed at the Ordinary Meeting of Council held on 15 April 2020.**

**Carried: 4/0**  
**Mayor Brad Pettitt, Cr Adin Lang,**  
**Cr Frank Mofflin, Mr Phillip Draber**

**6. Elected member communication**

Nil

Cr Hannah Fitzhardinge arrived at 5.37 pm prior to consideration of the following item.

## 7. Reports and recommendations

### ARMC2008-1 FINANCIAL MANAGEMENT REVIEW REPORT – JUNE 2020

<b>Meeting date:</b>	11 August 2020
<b>Responsible officer:</b>	Manager Finance
<b>Decision making authority:</b>	Council
<b>Agenda attachments:</b>	1. Financial Management Review Report
<b>Additional information:</b>	1. Nil

#### SUMMARY

City of Fremantle engaged Advant Edge Consulting to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures in accordance with Regulations 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

The City received the Financial Management Review dated 19 June 2020 (Attachment 1) and this is now presented to the Audit and Risk Management Committee for review.

This report recommends that Council:

1. Receive the Financial Management Review June 2020, as shown in Attachment 1 of this item, and
2. Note the responses and actions identified in this report by Management to remedy issues identified by the review

#### BACKGROUND

Regulations 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer to undertake 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 three financial years) and report to the local government the results of those reviews.

The last Financial Management Review was finalised in September 2017 and reported to the Audit and Risk Management Committee on 5 December 2017.

#### FINANCIAL IMPLICATIONS

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

#### LEGAL IMPLICATIONS

The financial management responsibilities of the Chief Executive Officer are established under Regulation 5 of the *Local Government (Financial Management) Regulations 1996* which states:

- (1) Efficient systems and procedures are to be established by the CEO of a local government -*
- (a) for the proper collection of all money owing to the local government;*
  - (b) for the safe custody and security of all money collected or held by the local government;*
  - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);*
  - (d) to ensure proper accounting for municipal or trust:*
    - (i) revenue received or receivable;*
    - (ii) expenses paid or payable; and*
    - (iii) assets and liabilities;*
  - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;*
  - (f) for the maintenance of payroll, stock control and costing records; and*
  - (g) to assist in the preparation of budgets, budget reviews, accounts and reports Required by the Act or these Regulations.*

In addition, the Chief Executive Officer is to:

- (2) The CEO is to -*
- (a) ensure that the resources of the local government are effectively and efficiently managed;*
  - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
  - (c) undertake 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 3 financial years) and report to the local government the results of those reviews.*

## **CONSULTATION**

Nil

## **OFFICER COMMENT**

To comply with the requirements of the regulations, Advant Edge Consulting were commissioned by the Chief Executive Officer to undertake the review and report on Council's financial management systems and procedures.

The review incorporated the following financial management areas in line with the requirements outlined under Regulation 5(1) of the Local Government (Financial Management) Regulations 1996:

- Procurement (formal quotations and tender process)
- Contract Management
- Accounts Payable
- Revenue Collection (cash receipt and handling)
- Payroll
- Human Resources (limited to staff recruitment and leave entitlement reporting)
- General Ledger Application Controls (financial year end reconciliations and approvals)
- Financial Management Information Reporting
- Council Rates, Fees and Charges
- Investment Management
- Bonds Collection and Processing (including Trust Fund Management)
- Asset Management and Control (excluding infrastructure assets)
- IT General and Systems Access Controls
- Budget Approval Process

There were 14 findings and proposed recommendations across the above areas. Of these 6 were rated as medium risk and the remaining 8 were rated low risk. Advant Edge make comment in their conclusion that based on their review nothing came to their attention that would indicate a high-risk management control matter or non-compliance matter. Overall, apart from the matters raised as findings below, they concluded that the financial management systems in place within the City were found to be generally sound and were considered to be satisfactory management control processes.

Below is a summary of the findings:

INDEX OF FINDINGS	RISK RATING		
	High	Medium	Low
<b>Procurement</b>			
1. Armaguard Security Services			✓
2. Evaluation Panels for RFQ's		✓	
3. Segregation of Duties		✓	
4. Conflict of Interest Declarations		✓	
5. Contract Management Guidelines Require Endorsement		✓	
6. Changes to Supplier Masterfile Process		✓	
7. Need to Ensure Proper Use of Purchase Orders		✓	
<b>Revenue</b>			

8. Need for Clearer Cash Receipting and Cash Handling Procedures			✓
<b>Human Resources/Payroll</b>			
9. Management of Casual Employment			✓
10. Update and Review of Human Resources Policies			✓
<b>Investments</b>			
11. Investment Policy Requires Updating			✓
<b>Asset Management</b>			
12. Updating Capital Threshold Limits			✓
<b>Bonds and Trust Accounts</b>			
13. Bond Account Monitoring			✓
<b>Financial Systems and Procedures</b>			
14. Need to Establish an Internal Audit Activity for the City		✓	

The attached report from Advant Edge provides a detailed explanation of each of the findings, the implications and their recommendations. The City has responded to each finding as management comments.

Below are the findings and management comments for the items identified as medium risk.

**Audited Area:** Procurement  
**Audited Activity:** RFT

Finding	Implication	Recommendation
<p><b>2.0 Evaluation Panels for RFQ's</b></p> <p>The City's procurement policy allows the establishment of a formal tender Evaluation Panel to be formed only for the assessment of tender submissions (RFT's &gt; \$250,000). However no formal Evaluation Panel is required for Request for Quote submissions (RFQ's \$50,000 to \$249,999).</p> <p>We noted a number of instances where RFQ submissions were assessed solely by the relevant Manager who requested the supply of goods and services.</p> <p>Under the City's financial delegation, Managers can approve procurement of goods and services up to \$249,999. One instance related to RFQ 265 – Consumer Brand Launch Campaign, which was awarded to Juicebox for an amount of \$135,750.</p> <p>According to City procurement policy, this procurement was not required to undergo</p>	<p><b>Risk: Medium</b></p> <ul style="list-style-type: none"> <li>Large procurements under \$250,000 level are not subjected to the same rigorous checks and balances that exist for RFT's which could result in the City not receiving best value for money from such purchases.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>The City give consideration to also establish the formation of a formal Evaluation Panel for larger \$ value RFQ's (say &gt; \$100,000) in similar line to that which is required for RFT's.</li> </ul>

Finding	Implication	Recommendation
<p>an evaluation assessment via a formal panel as the total of the procurement was less than \$250,000.</p>		
<p><b>Management Comments</b></p> <p><b>Responsibility: CEO</b></p> <p><b>Comments:</b> The suggested recommendation would be an improvement on the current process through greater control, improved transparency and approval.</p> <p>Management will conduct an internal review of recent RFQ's awarded to determine an appropriate upper value limit to introduce greater control. Current RFQ procedures will be amended to include an evaluation panel for larger value RFQ contracts.</p> <p>Currently regular checks on how much is being spent for each supplier on a monthly basis is being performed and reported to Executive and Management Teams.</p>		
Finding	Implication	Recommendation
<p><b>3.0 Segregation of Duties</b></p> <p>We further noted that in addition to RFQ 265 (refer Finding No 2), a further 3 RFQ's were awarded to Juicebox between January and March 2019 being RFQ263/19 for an amount of \$65,000 (Video Production Destination Marketing), RFQ 202/18 for an amount of \$34,100 (Brand Logo Design) and RFQ 249/18 for an amount of \$10,80 (Website Redevelopment). A total of \$245,080 was awarded to Juicebox within a space of 3 months without the need to go to formal tender. Although the various services may have been considered to be separate services and therefore not requiring a formal tender process, no evidence was found from information provided to us during the review that would indicate that some form of assessment was made and a formal decision reached to seek separate RFQ's.</p> <p>As such, the evaluation, the approval to award the contact and the letter of award were all undertaken by the Manager Economic Development and Marketing.</p>	<p><b>Risk: Medium</b></p> <ul style="list-style-type: none"> <li>• Lack of proper segregation of duties in which a manager can request a quote, evaluate the quotes and also approve the commitment to award a contract up to \$249,999.</li> <li>• There is no requirement in the City's procurement policy for the relevant managers to provide a conflict of interest declaration when undertaking a solo evaluation of RFQ's</li> <li>• Could lead to possible lack of monitoring as to whether the City could have obtained best value for money by going out to the market place via an RFT rather than via 4 separate RFQ's.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• The City give consideration to also establish the formation of a formal Evaluation Panel for larger \$ value RFQ's (say &gt; \$100,000) in similar line to that which is required for RFT's. This will ensure that proper segregation of duties controls is exercised for large \$ value procurements and also ensure that any potential conflicts of interest are identified and actioned.</li> </ul>
<p><b>Management Comments</b></p> <p><b>Responsibility: CEO</b></p> <p><b>Comments:</b> The suggested recommendation would be an improvement on the current process through greater control and improved transparency and accountability.</p>		

<b>Finding</b>	<b>Implication</b>	<b>Recommendation</b>
Current RFQ procedures will be amended for larger value RFQ contracts to include the following: <ul style="list-style-type: none"> <li>• An independent approving officer through an evaluation panel for larger value RFQ contracts and</li> <li>• Completing a conflict of interest declaration where appropriate.</li> </ul>		

<b>Finding</b>	<b>Implication</b>	<b>Recommendation</b>
<p><b>4.0 Conflict of Interest Declarations</b></p> <p>Although some form of conflict of interest needs to be declared and recorded on the evaluation assessment report by all panel members, no such requirement is provided nor needed for RFQ's (\$50,000 - \$249,999) as no formal evaluation panel is required.</p> <p>As per our testing we did not sight any RFQ evaluations which included a conflict of interest declaration statement.</p> <p>Further, we found that the City's evaluation voting panel members who are required to provide conflict of interest declarations for RFT's are signing the evaluation report which has a standard clause of no conflict of interest being declared. However, they do not provide a separate individual signed and dated "Conflict of Interest Declaration" form</p>	<p><b>Risk: Medium</b></p> <ul style="list-style-type: none"> <li>• Conflict of interest declarations are not being undertaken for RFQ evaluations that have been conducted solely by the requesting manager.</li> <li>• Current process of providing conflict of interest information is not considered to be good governance practice would suggest that each voting panel member should sign and date a separate individual "Conflict of interest Declaration" form which clearly indicates that the voting member has thought about possibly having or not having a conflict of interest prior to the evaluation assessment is commenced.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• Conflict of interest declarations also be applied to RFQ's even though the evaluations are undertaken solely by the requesting manager</li> <li>• the City give consideration to ensure each voting member assigned to an evaluation panel sign and date an individual "Conflict of Interest Declaration" form.</li> </ul>

**Management Comments**

**Responsibility: CEO**

**Comments:**

The suggested recommendation would be an improvement on the current process through greater control and improved transparency and accountability.

Current RFQ procedures will be amended for larger value RFQ contracts to include the requirement to complete conflict of interest declarations where appropriate.

**Audited Area: Procurement**  
**Audited Activity: Contract Management**

<b>Finding</b>	<b>Implication</b>	<b>Recommendation</b>
<p><b>5.0 Contract Management Guidelines Require Endorsement</b></p> <p>The City has in place a number of contract management policies, however the policies have yet to be formally endorsed.</p> <p>As part of our testing we noted 4 instances out of 17 contracts tested where we were not provided with a copy</p>	<p><b>Risk: Medium</b></p> <ul style="list-style-type: none"> <li>• No assurance that contracted suppliers have complied with their contractual obligations, goods and services are being provided to a high quality and the fees charged for such goods and services is in accordance with</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• the City, as a matter of priority, endorse the draft contract management policies and ensure that all appointed contract managers fully understand their contract manager responsibly.</li> </ul>

Finding	Implication	Recommendation
<p>of the supplier contract and a further 4 instances where we were not provided with a copy of the signed letter of acceptance or letter of intent when awarding a contract.</p>	<p>the agreed and quoted price rate within the supplier's contract.</p> <ul style="list-style-type: none"> <li>No assurance that end of contract supplier performance appraisals are being performed.</li> </ul>	<ul style="list-style-type: none"> <li>to assist compliance that the City develop a formal quality assurance checklist which should be signed off by the contract manager's supervisor/Director as evidence that a contract prior to ending has been contract managed and post contract supplier performance evaluations have been conducted and recorded.</li> </ul>

**Management Comments**

**Responsibility:** CEO

**Comments:**

Draft contract management policies, procedures, forms and checklists have been submitted to Management for approval before implementation.

Once endorsed by the Director training will be conducted across the organisation for relevant officers. It is anticipated to be finalised by September 2020. Training will include supplier evaluation measured against the KPI's within contracts. All policies and procedures will be made available to the organisation through CoFI.

**Audited Area:** Accounts Payable  
**Audited Activity:** Supplier Masterfile

Finding	Implication	Recommendation
<p><b>6.0 Changes to Supplier Masterfile Process</b></p> <p>According to the City's procedures where a supplier request to have their bank account details amended on the City's Supplier Masterfile record, the supplier is required to complete a "Creditor Change of Bank Account Details" application form and submit that to the City's finance area for processing. The City's procedure also requires that the application form should be accompanied by a written request on the supplier's official letterhead and signed by the supplier. Further, some form of evidence such as copy of the details of the new account details should also be forwarded prior to the request being processed.</p> <p>The application form also has a section where the City's officer who processes the change indicates that all relevant data has been provided and that the appropriate compliance checks have been carried out.</p>	<p><b>Risk:</b> <span style="border: 1px solid black; padding: 2px;">Medium</span></p> <ul style="list-style-type: none"> <li>Non-compliance with proper control process increase the risk and possibility of fraudulent activity</li> <li>Non-compliance indicates lack of proper management control and segregation of duties control over this process.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>the City ensure that the relevant officers responsible for changing supplier bank accounts follow due process and also suggest that prior to a supplier's bank account details being changed that the change is checked and approved by the officer's supervisor.</li> <li>an independent check be carried out, say weekly or monthly, by a separate officer on a sample basis to check the correctness of modifications made to the Supplier Masterfile to ensure no unauthorised changes have been made and that changes are supported with appropriate signed documentation.</li> </ul>

Finding	Implication	Recommendation
<p>As part of our review we tested 9 supplier bank account change requests that were processed by the City and found that 8 of the 9 application forms sighted had not been properly completed as evidenced by the City officer that proper compliance checks were undertaken. 6 out of 9 did not have a signed letter head attached nor evidence of the new bank account details. 1 out of 9 was noted where no application form nor signed letterhead was evident.</p>		
<p><b>Management Comments</b></p> <p><b>Responsibility: CEO</b></p> <p><b>Comments:</b> The procedure to change supplier bank account details has been in place since November 2017 to ensure controls and segregation of duties.</p> <ul style="list-style-type: none"> <li>Based on the review findings a refresher of the procedure will be undertaken with Procurement Officers. The refresher will include revisiting the documentation required and completing checks section of the form fully for audit trail purposes.</li> <li>Currently the Procurement Team Leader checks a report of all supplier bank account changes before approving a payment run. A further step 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.</li> </ul>		

**Audited Area: Accounts Payable/Procurement**  
**Audited Activity: Purchase Orders**

Finding	Implication	Recommendation
<p><b>7.0 Need to Ensure Proper Use of Purchase Orders.</b></p> <p>Purchase orders form a vital control to ensure that the City has approved future expenditure commitments prior to awarding a contract for the supply of goods and services. The proper use of purchase orders also serves as a control mechanism to ensure supplier invoices received by the City for payment are valid, the fee charged on the invoice agrees to the approved fee for goods and services committed and also a properly approved purchase order can serve as formal evidence that proper procurement process has</p>	<p><b>Risk: Medium</b></p> <ul style="list-style-type: none"> <li>Issuing of an approved purchase order at the time of receiving the supplier's invoice undermines the management control effect of using purchase orders and the proper authorisation of purchase orders at the time a supplier is contracted.</li> <li>Increases the possibility of fraudulent action through the possible payment of fraudulent tax invoices.</li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>the City clarify its policy and guidelines in regards to the proper use and approval of purchase orders to ensure that all purchase orders are initiated and approved at the date a supplier quote is accepted and/or a supplier contract for the supply of goods and services is enacted.</li> <li>A copy of the approved purchase order should be issued to the supplier at date of accepting their quote clearly stating that the supplier is required to state the purchase order number on their invoices.</li> </ul>

<b>Finding</b>	<b>Implication</b>	<b>Recommendation</b>
<p>been followed in regards to RFT, RFQ and written quote process.</p> <p>However, the use of purchase orders as a control mechanism is only effective if the purchase order is created prior to the awarding of a contract or prior to placing an order for goods and services.</p> <p>The City's procurement policy clearly states the use of purchase orders.</p> <p>As part of our review testing, we found that 8 out of 15 purchase orders tested were created and approved either at the time a supplier invoice was received or after the date of invoice.</p> <p>The following 8 purchase orders were created for approval after invoice date and have been detailed for your further investigation:</p> <ul style="list-style-type: none"> <li>• PO 237536</li> <li>• PO 236570</li> <li>• PO 235172</li> <li>• PO 242195</li> <li>• PO 240755</li> <li>• PO 235576</li> <li>• PO 237222</li> <li>• PO 235666</li> </ul>		
<p><b>Management Comments</b></p> <p><b>Responsibility: CEO</b></p> <p><b>Comments:</b></p> <p>In an attempt to reduce the instances of purchase orders being raised after the receipt of invoices the following actions have been initiated over the last couple of years:</p> <ul style="list-style-type: none"> <li>• Training across the organisation is conducted with purchasing officers to remind them of the need to ensure purchase orders are raised prior to the time of authorising works/services or ordering goods.</li> <li>• All invoices received without quoting a valid purchase order are returned to the supplier unpaid. This requirement was advised to all suppliers in writing in November 2018.</li> </ul> <p>From this review one-on-one training will be conducted with officers who raised the 8 purchase orders identified.</p> <p>Refresher training and update on the policy and procedures for purchase orders will be distributed to the organisation.</p>		

**Audited Area:** Financial Systems and Procedures  
**Audited Activity:** Internal Audit Function

Finding	Implication	Recommendation
<p><b>14.0. Need to Establish an Internal Audit Activity for the City</b></p> <p>The City does not have in place a dedicated Internal Audit Activity which is able to undertake routine financial management, risk management, internal control and legislative compliance audits.</p> <p>Such an activity, should it be established, would be responsible for reporting their findings and recommendations directly to the Audit and Risk Management Committee via the CEO assisting the CEO and the Audit and Risk Management Committee in meeting their governance responsibilities.</p> <p>The Internal Audit Activity can be established either as an inhouse function or outsourced to a reputable accounting/audit firms who specialise in providing Internal Audit services.</p>	<p><b>Risk:</b> <span style="border: 1px solid black; padding: 2px;">Medium</span></p> <ul style="list-style-type: none"> <li>In the absence of an effective Internal Audit Activity, the City is unable to obtain ongoing and timely assurance that management controls continue to operate satisfactorily, the City's policies continue to be relevant, effective and complied with and that the City's risks are being properly identified and managed.</li> <li>An effective internal audit activity program would also assist the City towards meeting its financial and legislative obligations in regards to the <i>Local Government (Financial Management) Regulations 1996, 5(2) (c) review and Local Government (Audit) Regulation 1996, Regulation 17 review requirements.</i></li> </ul>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>The City CEO, through the Governance unit and the Audit and Risk Management Committee give consideration to the establishment of an Internal Audit Activity for the City.</li> <li>Consideration be given to establishing a 3 year internal audit program, endorsed by the Audit and Risk Management Committee, made up of potential high risk area audits to be carried out based on the City's identified strategic and operational risks.</li> </ul>
<p><b>Management Comments</b></p> <p><b>Responsibility: CEO and the Audit and Risk Management Committee</b></p> <p><b>Management Comments:</b></p> <p>The City's current audit program includes:</p> <ul style="list-style-type: none"> <li>Financial audit conducted by OAG for Interim and Final audit of annual financial statements.</li> <li>Audit Reg. 17 audits conducted on Legislative Compliance, Internal Control and Risk management</li> <li>Performance Audits conducted by OAG within Procurement and Environmental Health.</li> <li>Financial Management Review undertaken by CEO every 3 years.</li> </ul> <p>Additional audits through an internal audit function will be considered by the City with Audit and Risk Management Committee.</p>		

**VOTING AND OTHER SPECIAL REQUIREMENTS**

Simple Majority Required

**COMMITTEE RECOMMENDATION ITEM ARMC2008-1**  
**(Officer's recommendation)**

**Moved: Cr Adin Lang      Seconded: Mr Phillip Draber**

**Council:**

- 1.    Receive the Financial Management Review June 2020, as shown in Attachment 1 of this item, and**
- 2.    Note the responses and actions identified in this report by Management to remedy issues identified by the review**

**Carried: 5/0**  
**Mayor Brad Pettitt, Cr Adin Lang, Cr Frank Mofflin,**  
**Cr Hannah Fitzhardinge, Mr Phillip Draber**

**ARMC2008-2 OFFICE OF AUDITOR GENERAL REGULATION OF  
CONSUMER FOOD SAFETY AUDIT**

<b>Meeting date:</b>	11 August 2020
<b>Responsible officer:</b>	Manager Field Services
<b>Decision making authority:</b>	Council
<b>Agenda attachments:</b>	1. Action Plan - Implementing the Recommendations of the OAG - Regulation of Consumer Food Safety
<b>Additional information:</b>	1. Report 28 – Regulation of Consumer Food Safety by Local Government Entities

**SUMMARY**

The purpose of this report is to advise the Risk and Audit Management Committee of the findings of the Office of the Auditor General’s (AOG) audit of the City. The audit assessed the performance of two local governments in regulating local food businesses under the *Food Act 2008*, during the 2018-2019 financial year. It also presents an action plan, to implement the recommendations of the Auditor General, for submission to the Minister for Local Government, as required under the *Local Government Act 1995*.

This report recommends that the Council endorse the “Action Plan – Implementing the Recommendations of the OAG – Regulation of Consumer Food Safety” shown in Attachment 1, for submission to the Minister for Local Government; Heritage; Culture and the Arts

**BACKGROUND**

On 14 November 2019, auditors from the Office of the Auditor General began auditing the City, as part of an audit of two local governments to assess whether local government entities (LG entities) effectively regulate consumer food safety in food businesses in their local area. This audit culminated in a report to parliament. The audit which lasted approximately 8 months concluded that:

Current inspection and enforcement processes in the two audited LG entities do not support an effective risk-based approach for regulating food businesses.

While the two LG entities were undertaking food inspections, there were shortcomings in the process they used to regulate food safety in businesses. Several inspections were overdue, recordkeeping was inadequate, and follow-up and enforcement of compliance with food safety standards was not always consistent or completed. These shortcomings may lead to unsafe food practices going undetected or left unaddressed.

The Report mentioned the following five recommendations:

Local government entities should:

- 1) ensure food business inspections are prioritised and carried out according to their risk classification
- 2) ensure changes to inspection frequencies are only made based on a documented assessment of compliance history or other urgent requirement
- 3) improve recordkeeping for food business inspections and compliance reporting to:
  - a) better understand inspection and compliance history
  - b) identify compliance issues and follow-up activities
  - c) respond to emerging food safety issues
- 4) develop procedures and staff guidance to ensure non-compliant food businesses are followed up and Standards enforced in a consistent and timely manner
- 5) work with the Department of Health in the development and implementation of new electronic food safety inspection and recordkeeping systems.

An action plan has now been developed to address the above recommendations and is attached to this Report.

## **FINANCIAL IMPLICATIONS**

Budget was allocated and work is ongoing to provide an electronic inspection system that will fulfil the requirements of the recommendations.

Allocation may need to be made to contract additional environmental health staff, if required, to complete food business inspections in the 2020/21 financial year.

## **LEGAL IMPLICATIONS**

Under section 7.12A of the *Local Government Act 1995*, all audited entities are required to prepare an action plan addressing matters relevant to their entity for submission to the Minister for Local Government within 3 months of the audit report being tabled in Parliament. Report 28 - Regulation of Consumer Food Safety by Local Government Entities was tabled in Parliament on 30 June 2020; so the City must submit an action plan to the said Minister, by 30 September 2020.

## **CONSULTATION**

No consultation was considered necessary for the purposes of this report.

## **OFFICER COMMENT**

The Auditor General audit identified, among other things non inspection of several food premises within Fremantle. As a result these premises have now been inspected and the inspection programme has been altered to ensure these are captured in the future. The five recommendations from the audit are intended to improve the effectiveness and capacity of the City to fulfil its responsibilities, under the *Food Act 2008*, as an enforcement agency.

It is intended that by implementing the attached action plan that this will address the risks posed by the operation of food businesses within the City in an educative, proportional and consistent manner.

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

Simple Majority Required

### **COMMITTEE RECOMMENDATION ITEM ARMC2008-2** **(Officer's recommendation)**

**Moved: Cr Adin Lang      Seconded: Cr Frank Mofflin**

#### **Council:**

- 1. Endorse the "Action Plan – Implementing the Recommendations of the Office Auditor General – Regulation of Consumer Food Safety, include at attachment 1.**
- 2. Approve the submission to the Minister for Local Government; Heritage; Culture and the Arts by 30 September 2020.**

**Carried: 5/0**

**Mayor Brad Pettitt, Cr Adin Lang, Cr Frank Mofflin,  
Cr Hannah Fitzhardinge, Mr Phillip Draber**

**ARMC2008-3 OVERDUE DEBTORS REPORT AS AT 30 JUNE 2020**

<b>Meeting date:</b>	11 August 2020
<b>Responsible officer:</b>	Manager Finance
<b>Decision making authority:</b>	Council
<b>Agenda attachments:</b>	1. Summary of Overdue Debts above Threshold ( <i>Confidential attachment provided in confidential agenda</i> )
<b>Additional information:</b>	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 June 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 2019 an amount of \$144,907 was held as an allowance for impairment of receivables. As at the 30 June 2020 the current allowance held as impairment is \$103,455 with \$41,452 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       \$41,452 + GST  
Total Waivers            \$NIL

Since the last report, 1 occurrence of delegated authority to waive or write off debts valued at \$1,000 or above per debtor by officers has occurred. Currently \$99k has been identified for potential write-off.

### Summary of Sundry Debtor's Debts Written-off

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
2092379	The Event Agency	4,367	Waste Management	Director Infrastructure and Project Delivery
2092585	Fly By Night Musicians Club Ltd	15,850	Economic Development	Council
2019393	City Tours Pty Ltd	2,590	Technical Services	Manager Infrastructure Engineering
	<b>TOTAL</b>	<b>22,807</b>		

### Summary of Rates Debtors Debts Written-off

PID No.	Name	Amount	Business Unit		Delegated Officer or Council
260	Fly By Night Musicians Club Ltd	16,419	Economic Development	August 2019	Council ARMC1908-1
1061	Fly By Night Musicians Club Ltd	2,030	Economic Development	August 2019	Council ARMC1908-1
	<b>TOTAL</b>	<b>18,449</b>			

### Summary of Sundry Debtor's Debts Waived

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
	<b>TOTAL</b>	<b>NIL</b>		

## 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**

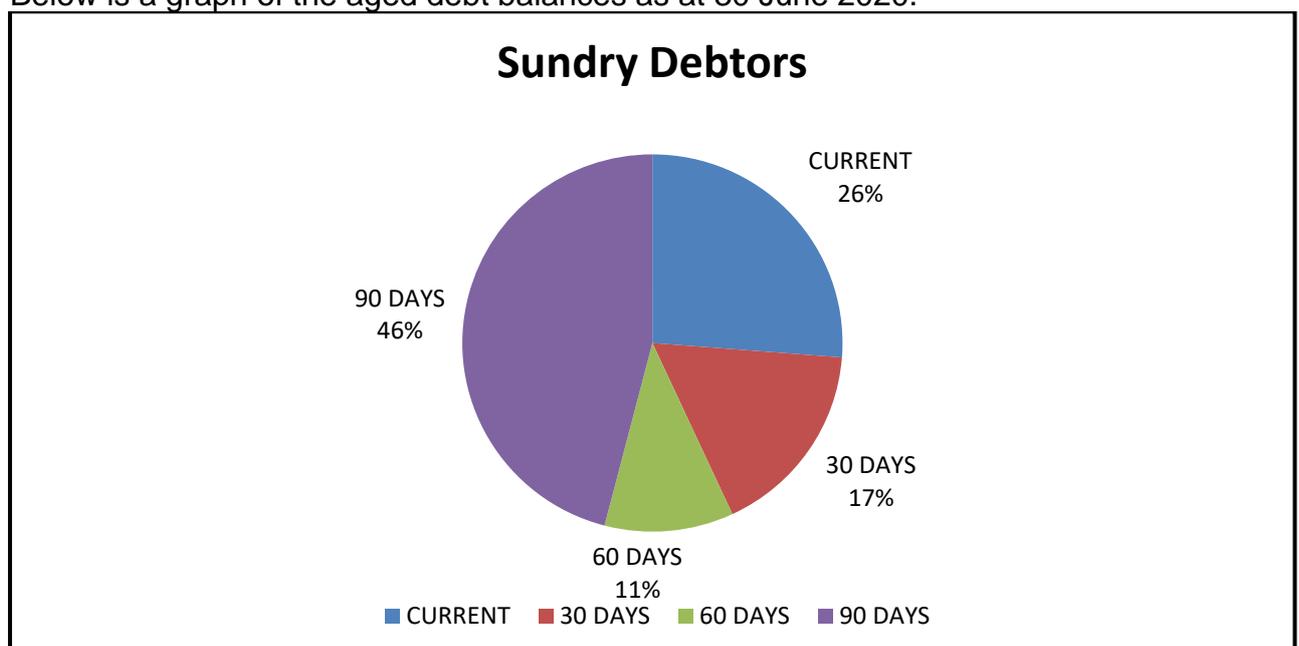
NIL

**OFFICER COMMENT**

The total of debtors outstanding as at 30 June 2020 is \$1,199,256. A breakdown of aged debt for the current period compared to prior year for the same period is tabled below.

Period Ending June	Current	30 Days	60 Days	90+ Days	Total
July 19 – June 20	26%	17%	11%	46%	100%
	314,423	202,330	131,585	550,918	1,199,256
July 18 – June 19	442,372	88,563	23,701	174,888	729,524

Of the total debt balance, the amount outstanding for 90+ days is \$550,918 or 46%. Below is a graph of the aged debt balances as at 30 June 2020.



Compared to the report of overdue debtors as at 30 June 2019, presented to Audit and Risk Management Committee at the 11 February 2020 meeting, the total value of outstanding debtors has increased by \$401k.

Outstanding debt over 90 days has increased from \$150k at the end of the previous quarter to \$551k. The number of overdue debtors above reporting threshold is 12 with a total value of \$466,831.

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 \$466,831 of outstanding debtors exceeding 90 days with a combined value exceeding \$10,000 with comments and background.

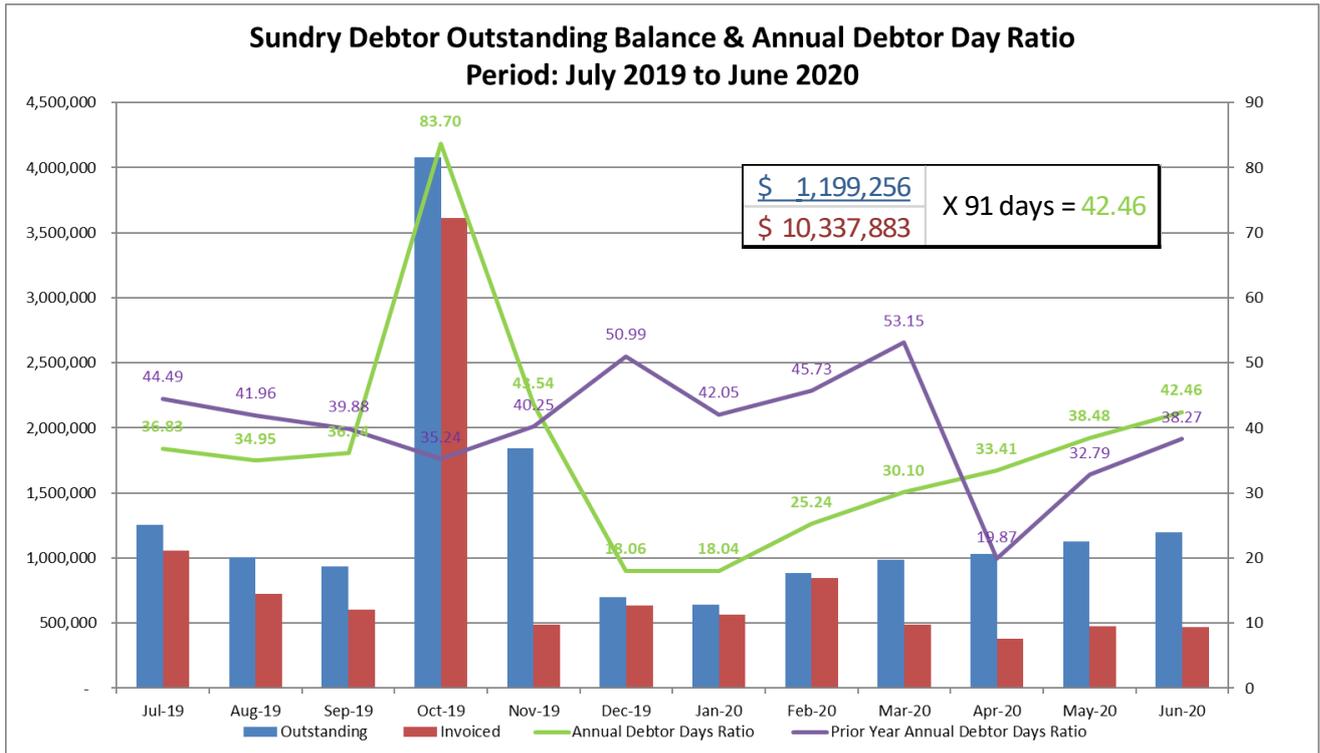
### **Debtors Outstanding**

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 1 July 2019, \$318,284 of invoices raised in 2018/19 were outstanding resulting in outstanding debt exceeding the amount invoiced during July 2019. Identified write-offs amounted to \$99k and have resulted primarily from the City's commercially leased properties.



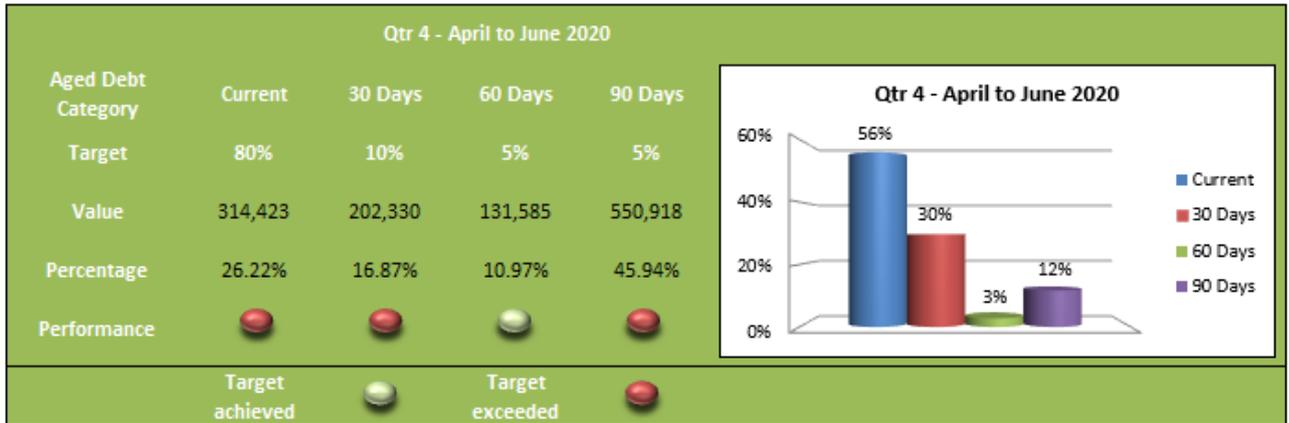
At reporting date, the debtor day ratio was 42.46 an increase from the prior reporting period. Of outstanding debt, 26% related to current invoices that were not yet due.

### 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.

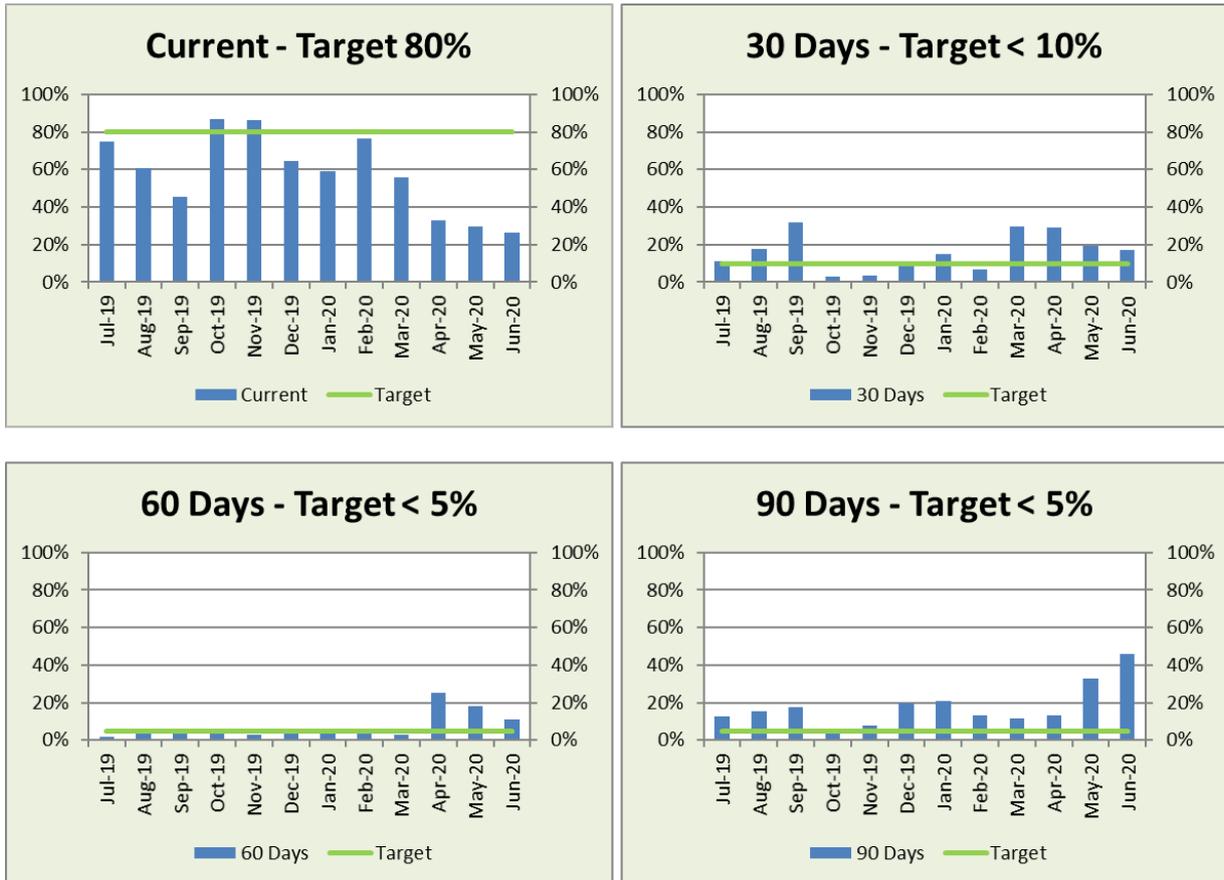
Internal debt management procedures have been reviewed resulting in Officers engaging with debtors earlier where an amount is considered to have an increased risk of default. Upon review of debt levels over prior financial years, Officers consider reasonable and recommend the following targets against 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 62% (\$545k). Three Commercial Property debtors account for \$190k of invoices overdue for more than 90 days. Payment arrangements had been agreed however due to COVID-19 most arrangements have been suspended. The City has commenced negotiations on an individual basis with each commercial property tenant to ensure that only essential write-offs may occur. There will be further write-offs for commercial debt as we navigate the government processes for dealing with commercial tenants, and the City is monitoring the COVID environment currently occurring on the east coast and scenario planning any impact that may result in Western Australia.

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 and negotiations with these tenants is now underway. 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 ARMC2008-3**  
**(Officer’s recommendation)**

**Moved: Cr Adin Lang      Seconded: Mayor, Brad Pettitt**

**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 June 2020.**

**Carried: 5/0**  
**Mayor Brad Pettitt, Cr Adin Lang, Cr Frank Mofflin,**  
**Cr Hannah Fitzhardinge, Mr Phillip Draber**

**ARMC2008-4 PURCHASING POLICY EXEMPTIONS MAY TO JULY 2020**

<b>Meeting date:</b>	11 August 2020
<b>Responsible officer:</b>	Manager Finance
<b>Decision making authority:</b>	Council
<b>Agenda attachments:</b>	1. Purchasing Policy Exemption Details May to July 2020 ( <i>confidential attachment provided in confidential agenda</i> )
<b>Additional information:</b>	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 May to July 2020.

This report recommends that Council receive the Purchasing Policy Exemptions report for May 2020, June 2020 and July 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**

**May 2020**

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

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Specialist Consultancy Exemptions	\$21,406.00
<b>Total</b>	<b>\$21,406.00</b>

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

**June 2020**

The total value of spending exempt from the City of Fremantle Purchasing Policy is \$15,000.00 for the month of June 2020.

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Specialist Consultancy Exemptions	\$15,000.00
<b>Total</b>	<b>\$15,000.00</b>

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

**July 2020**

The total value of spending exempt from the City of Fremantle Purchasing Policy is \$15,000.00 for the month of July 2020.

The value of exemptions by category is:

<b>Exemption Category</b>	<b>Value</b>
Specialist Consultancy Exemptions	\$126,232.90
Artist Exemptions	\$15,999.00
<b>Total</b>	<b>\$142,231.90</b>

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

**VOTING AND OTHER SPECIAL REQUIREMENTS**

Information only no decision required

**COMMITTEE RECOMMENDATION ITEM ARMC2008-4**  
**(Officer's recommendation)**

**Moved: Cr Adin Lang      Seconded: Cr Frank Mofflin**

**Council receive the Purchasing Policy exemptions report for May, June and July 2020.**

**Carried: 5/0**  
**Mayor Brad Pettitt, Cr Adin Lang, Cr Frank Mofflin,**  
**Cr Hannah Fitzhardinge, Mr Phillip Draber**

**ARMC2008-5 INFORMATION REPORT – AUGUST 2020****STATUS REPORT OF COUNCIL MOTIONS – 1 OCTOBER 2019 TO 30 JUNE 2020**

<b>Responsible officer:</b>	Manager Governance
<b>Agenda attachments:</b>	Status Report of Council motions – 1 October 2019 to 30 June 2020
<b>Additional information:</b>	Nil

Best practice principles support the recording and reporting of actions taken on Council decisions to ensure they are implemented, and 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 City officers in response to all council decisions. The register excerpt has been organised into separate parts for ease of understanding and reference, as attached:

**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.

**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.

**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).

**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.

Due to the restrictions surrounding the Covid-19 pandemic, and the suspension of the February and May Audit and Risk Management Committee meetings (ARMC), this report has not been presented to the ARMC as frequently as intended, therefore this report includes a lot of information to consider.

The intention is that future reports will be much shorter as they will be presented to the ARMC on a more frequent basis.

### **UPDATE ON REGULATION 17 REVIEW ACTIONS TO 30 JUNE 2020**

**Responsible officer:** Manager Governance  
**Agenda attachments:** Regulation 17 Review Actions progress report June 2020  
**Additional information:** Nil

In late 2019, the City of Fremantle (the City) 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.

From the review categories listed above the first review was of the City’s Internal Controls, which includes systems and procedures that improve the efficiency the City and mitigate risk.

This review was completed in December 2019, and a report prepared by Civic Legal on the findings of the review, which included recommendations that addressed the issues identified, was considered by the Audit and Risk Management Committee in February 2020.

The report attached provides a summary of the progress the City has made to implement the recommendations to address the issues identified in the findings report.

### **RISK MANAGEMENT INFORMATION REPORT**

**Responsible officer:** Manager Finance  
**Agenda attachments:** Nil  
**Additional information:**  
1. Risk Management Policy  
2. Risk Management Guidelines

Council adopted the Risk Management Policy at the OCM of 27 September 2017. Along with the Policy the Risk Management Guidelines underpin risk management at the City. At the Audit and Risk Management Committee (ARMC) meeting of 11 February 2020, Committee requested to see the guidelines following an internal review.

The administration recently completed a review of the Risk Management Guidelines. The review focussed on improving the application of the guidelines to risk scenarios likely to arise within local government rather than following a more generic process that provided little relevance to risks facing Officers of the City.

The internal review specifically focussed on:

- Risk identification - including risk categories and descriptions or examples
- Table 1 – Risk Reference Consequence Ratings

- Table 3 – Level of Risk
- Table 5 – Determining Risk Acceptance and Ownership
- Table 6 – Risk Assessment Table / Risk Register
- Table 7 – Risk Register Examples
- Table 8 – Risk Identification and Reporting Process

A revised identification and reporting process has been put in to place to provide ELT and the ARMC with oversight of identified or emerging Corporate Risks rated High or Extreme or risks that require close management due to the difficulty in mitigating the risk.

High risks are to be presented to ELT on a monthly basis and to ARMC on a quarterly basis, with responsibility for on-going review of the risk resting with Director or CEO. Severe risks are to be presented to ELT and ARMC immediately they are identified with on-going reporting and review of the risk resting with Council.

In order to improve the identification, evaluation, management and reporting of risks the City has engaged an external consultant to provide a half-day training session with Managers and the Executive Leadership Team, on the City's updated Risk Management Guidelines. Training will take place in late August, 2020.

Following the training it is anticipated that risk management will become even more of a focus across the organisation than it currently is and lead to better understanding and management of the risks faced by the City.

**COMMITTEE RECOMMENDATION ITEM ARMC2008-5**  
**(Officer's recommendation)**

**Moved: Cr Adin Lang**

**Seconded: Mr Phillip Draber**

**Council receive the following information reports for August 2020:**

- 1. Progress Report of Council motions – 1 October 2019 to 30 June 2020.**
- 2. Update on Regulation 17 review actions to 30 June 2020.**
- 3. The information report for Risk Management**

**Carried: 5/0**

**Mayor Brad Pettitt, Cr Adin Lang, Cr Frank Mofflin,  
Cr Hannah Fitzhardinge, Mr Phillip Draber**

**8. Motions of which previous notice has been given**

Nil

**9. Urgent business**

Nil

**10. Late items**

Nil

**11. Confidential business**

**ARMC2008-6 CONFIDENTIAL REPORT – RISK REPORT AUGUST 2020**

**COMMITTEE RECOMMENDATION ITEM ARMC2008-6**  
**(Amended officer's recommendation)**

**Council:**

- 1. Notes the emerging risk items in the risk update report for August 2020.**
- 2. *Request that elected members undertake a strategic risk identification workshop prior to the end of 2020 to inform City of Fremantle risk register.***

**Carried: 5/0**

**Mayor Brad Pettitt, Cr Adin Lang, Cr Frank Mofflin,  
Cr Hannah Fitzhardinge, Mr Phillip Draber**

**12. Closure**

**The Presiding Member declared the meeting closed at 6.41 pm.**