



Minutes

Audit and Risk

Management Committee

Wednesday 15 February 2023 5.30pm



**Minutes – Audit and Risk Management Committee
15 February 2023**

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1. Official opening, welcome and acknowledgment

The Presiding Member declared the meeting open at 5.33pm.

2. Attendance, apologies and leave of absence

2.1 Attendance

Cr Fedele Camarda	Deputy Presiding Member/Beaconsfield Ward
Cr Frank Mofflin	Deputy Mayor/Hilton Ward
Cr Jenny Archibald	East Ward
Cr Andrew Sullivan	South Ward
Cr Marija Vujcic	South Ward
Mr Ben Arnold	Independent Member
Cr Ben Lawver	Hilton Ward (Observer)

Mr Glen Dougall	Chief Executive Officer
Mr Matt Hammond	Director City Business
Mr Graham Tattersall	Director Infrastructure
Ms Melody Foster	A/Manager Governance
Mr Mark Donnelly	Manager Field Services
Ms Kath Philip	Manager Business Transformation
Ms Donna Ross	Meeting Support Officer

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

2.2 Apologies

Ms Hannah Fitzhardinge	Mayor
Cr Su Groome	Presiding Member/East Ward

2.3 Leave of absence

Nil

3. Disclosures of interest by members

Cr Andrew Sullivan declared an impartiality interest in item number ARMC2302-1. As Metrocount has been listed as a company engaged under these exemptions, the owner of Metrocount is considered a closely associated person through close friendship. Cr Sullivan remained in the chamber and participated in the discussion and voting of this item.



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4. Deputations

4.1 Special deputations

Nil

4.2 Presentations

Nil

5. Confirmation of minutes

COMMITTEE DECISION

Moved: Cr Fedele Camarda

Seconded: Cr Andrew Sullivan

The Audit and Risk Management Committee confirm the minutes of the Audit and Risk Management Committee meeting dated 19 October 2022.

Carried: 6/0

**Cr Fedele Camarda, Cr Andrew Sullivan, Cr Jenny Archibald
Cr Marija Vujcic, Cr Frank Mofflin, Mr Ben Arnold**

6. Elected member communication

Cr Vujcic spoke on the monthly financial statements presented to Council each month and requested that a cash inflow and outflow analysis be provided, detailing separate Operating, Investing and Financial columns.



7. Reports and recommendations

ARMC2302-1 PURCHASING POLICY EXEMPTIONS SEPTEMBER TO DECEMBER 2022

Meeting date:	15 February 2023
Responsible officer:	Director City Business
Decision making authority:	Council
Attachments:	1. Purchasing Policy Exemption Detail – September to December 2022
Additional information:	Nil

SUMMARY

The purpose of this report is to inform Council of purchases made by the City that were exempted from the requirements of the Purchasing Policy, during the period September to December 2022.

This report recommends that Council receive the Purchasing Policy Exemptions report for September to December 2022.

BACKGROUND

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

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

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

Nil

CONSULTATION

Nil



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OFFICER COMMENT

September 2022

The total value of spending exempt from the City of Fremantle Purchasing Policy was \$183,700.00 for the month of September 2022.

The value of exemptions by category is:

Exemption Category	Value
Professional / LG Membership	\$11,395.00
Original Equipment Manufacturer (OEM) Exemption	\$39,347.00
Specialist Consultancy	\$112,958.00
Sole Source of Supply Exemption	\$20,000.00
Total	\$183,700.00

Details regarding individual exemptions can be found in Attachment 1.

October 2022

The total value of spending exempt from the City of Fremantle Purchasing Policy was \$461,758.22 for the month of October 2022.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consultancy	\$461,758.22
Total	\$461,758.22

Details regarding individual exemptions can be found in Attachment 1.

November 2022

The total value of spending exempt from the City of Fremantle Purchasing Policy was \$104,136.41 for the month of November 2022.



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The value of exemptions by category is:

Exemption Category	Value
Original Equipment Manufacturer (OEM) Exemption	\$80,740.50
Sole Source of Supply Exemption	\$35,800.00
Professional / LG Membership	\$11,395.91
Total	\$104,136.41

Details regarding individual exemptions can be found in Attachment 1.

December 2022

The total value of spending exempt from the City of Fremantle Purchasing Policy was \$622,420.00 for the month of December 2022.

The value of exemptions by category is:

Exemption Category	Value
Artists Exemptions	\$265,708.00
Specialist Consultancy	\$356,712.00
Total	\$622,420.00

Details regarding individual exemptions can be found in Attachment 1.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required.



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**COMMITTEE RECOMMENDATION ITEM ARMC2302-1
(Officer’s recommendation)**

Moved: Cr Fedele Camarda

Seconded: Cr Andrew Sullivan

Council receive the information report on Purchasing Policy exemptions for September to December 2022.

Carried: 6/0

**Cr Fedele Camarda, Cr Andrew Sullivan, Cr Jenny Archibald
Cr Marija Vujcic, Cr Frank Mofflin, Mr Ben Arnold**



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**ARMC2302-2 TENDERS AWARDED UNDER DELEGATION
SEPTEMBER TO DECEMBER 2022**

Meeting date: 15 February 2023
Responsible officer: Director City Business
Decision making authority: Council
Attachments: Nil
Additional information: Nil

SUMMARY

The purpose of this report is to summarise tenders awarded under delegation by various delegated officers and Committees during the period September to December 2022.

This report recommends that Council receive the report on tenders awarded under delegation between September to December 2022.

BACKGROUND

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

Delegated Authority	Amount of Delegation
Finance, Policy Operations and Legislation Committee (FPOL)	\$500,000+ (if within budget)
CEO	Up to \$500,000
Directors	Up to \$500,000

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

FINANCIAL IMPLICATIONS

All tenders were awarded within the 2022-23 budget approved at Council on 30 July 2022.

LEGAL IMPLICATIONS

All tenders awarded met the requirements of Regulations 11A – 24AJ of the *Local Government (Functions and General) Regulations 1996* and S3.57 of the *Local Government Act 1995*.

Under delegation 2.11 Expressions of interest and tenders, of the City's Register of Delegated Authority 2022-23, the Chief Executive Officer is required to report the use of this delegation to the Audit and Risk Management Committee.



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CONSULTATION

Nil

OFFICER COMMENT

Below is a list of tenders awarded under delegation between September 2022 to December 2022.

September 2022

Nil

October 2022

Tender Description	Awarded By	Contractor(s)	Contract Term	Contract Value
WFCC100/22- Residential and Commercial Bin Supply	Director of Infrastructure	Mastec Australia Pty Ltd	5 Years	\$348,671.00

November 2022

Nil

December 2022

Nil

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required.

**COMMITTEE RECOMMENDATION ITEM ARMC2302-2
(Officer's recommendation)**

Moved: Cr Fedele Camarda

Seconded: Cr Jenny Archibald

Council receive the information report on tenders awarded under delegation for September to December 2022.

Carried: 6/0

**Cr Fedele Camarda, Cr Andrew Sullivan, Cr Jenny Archibald
Cr Marija Vujcic, Cr Frank Mofflin, Mr Ben Arnold**



ARMC2302-3 REVIEW OF SYSTEMS AND PROCEDURES BY THE CHIEF EXECUTIVE OFFICER REQUIRED BY REGULATION 17 – RISK MANAGEMENT

Meeting date: 15 February 2023
Responsible officer: A/Manager Governance
Decision making authority: Council
Attachments: 1. Final report – CEO’s Review of Systems and Procedures – Quantum Assurance
Additional information: Nil

SUMMARY

The Chief Executive Officer triennial systems and procedures review, as required by Regulation 17 of the *Local Government (Audit) Regulations 1996*, has now been completed and the final report is presented for consideration.

This report recommends that Council:

- 1. Receive the final report for the Chief Executive Officer triennial systems and procedures review, as provided in Attachment 1.**
- 2. Endorse the recommended actions outlined in the officer’s report, to be undertaken by administration in response to this review.**

BACKGROUND

In accordance with the *Local Government (Audit) Regulations 1996*, Regulation 17 requires 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) engaged an external consultant, Quantum Assurance, to complete the systems and procedures review on behalf of the CEO. A detailed report provided by Quantum Assurance, is provided in Attachment 1 for consideration.

FINANCIAL IMPLICATIONS

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



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LEGAL IMPLICATIONS

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

- (1) *The Chief Executive Officer is to review 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.*
- (2) *The review may relate to any or all of the matters referred to in sub regulation 1(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The Chief Executive Officer is to report to the audit committee the results of that review.*

As required under *WA Local Government (Audit) Regulations 1996, Regulation 16(c)*, the Audit and Risk Management Committee is to review the report provided by the CEO, prior to forwarding the report to Council for consideration.

CONSULTATION

Internal consultation was undertaken, which consisted of interviews between staff and the consultants to discuss and test systems. Detail on this consultation is included in the final report as attached.

OFFICER COMMENT

As detailed in the final report provided by Quantum Assurance in Attachment 1, it was concluded that the City has appropriate systems and procedures in place, which if operating, will ensure effective risk management, internal controls, and legislative compliance.

A key issue identified by Quantum Assurance during the review, was staff vacancy levels, noting that staff may not have the capacity to meet requirements set out in Council and Administration Policies and supporting procedures. This issue has already been reported to the Audit and Risk Management Committee and is being monitored by the Executive Leadership Team.

Quantum Assurance provided 11 recommended actions in response to the findings from their review. These recommendations are provided in the following table, along with a response from officers on how the recommended actions will be addressed.



Audit area	Recommended actions	Officer response
Risk Management	<p>1. Rollout the Risk Management Framework</p> <p>Ensure the timely roll out and actioning against the new RMF with a focus on reviewing the Corporate Risk Register. This is commended, as currently many of the issues are subsets of causes that could be grouped as one major risk. Noting, that often the Corporate Risk Register and Issues report content is referencing an issue rather than a corporate risk.</p>	<p>The City have engaged a consultant (Risk West), to conduct risk management training in March 2023, for the Executive and Management Teams, based on the new Risk Management Framework (RMF).</p> <p>The City’s consultant is also undertaking a review of the City’s Corporate Risk Register.</p> <p>The City are also in the process of recruiting a Risk Officer who will be tasked with embedding the RMF into the organisation and conducting ongoing training and support to officers.</p>
Risk Management	<p>2. Review and Test Business Continuity Plan</p> <p>a) The Business Incident Management Plan, the Business Continuity Plan and the Business Impact Analysis should be reviewed annually.</p> <p>b) The Business Continuity Plan and should be reviewed, to ensure current and correct position titles. It is safer to reference positions rather than employee names, as these can often change</p> <p>c) The City should conduct a test of its Business Continuity Plan. This should be done annually and a range of scenarios test to ensure the City is fully prepared to deal with crises as they arise.</p>	<p>Officers will undertake a review of the City’s Business Continuity Plan, Business Incident Management Plan and Business Impact Analysis, as recommended, and an ongoing schedule for reviewing these documents will be established.</p> <p>Given the City’s response to the Covid pandemic over the past two years, officers are confident that the City’s Business Continuity Plan has been appropriately tested. However, officers will continue to undertake a yearly test of the Business Continuity Plan, providing appropriate staff resources are available to do so.</p>
Risk Management	<p>3. Update and Test IT Disaster Recovery Plan</p> <p>Perform a timely fall-over test of the IT Disaster Recovery Plan when the recovery site is built.</p>	<p>The City is in the process of building a disaster recovery site and will undertake require tests on an annual basis.</p>



Audit area	Recommended actions	Officer response
	<p>Thereafter, this should be tested annually, and a range of scenarios tested to ensure the City is fully prepared to deal with crises as they arise.</p>	
<p>Risk Management</p>	<p>4. Include non-compliance in reporting to the ARMC</p> <p>When it is time to review the ARMC’s Terms of Reference (TOR), consideration should be given to including a provision (to the extent that it would not overlap the TOR for the Finance, Policy, Operations and Legislation Committee) to report to ARMC on “Potential non-compliance with legislation, regulations and standards and the City’s policies”.</p>	<p>A review of the ARMC Terms of Reference will be undertaken prior to the October Local Government Elections this year and will be presented to Council for consideration following the Election. This recommendation will be considered as part of this review.</p>
<p>Risk Management</p>	<p>5. Strengthen the Fraud and Control Framework</p> <p>a) Contractors providing services or goods to the City should be required to confirm that they will be ethical in their conduct with the City.</p> <p>b) Include the recently developed Fraud and Control Framework in the Governance Induction Manual.</p> <p>c) Endorse timely roll out across the City of the recently developed Fraud and Control Framework.</p> <p>d) Consider installing an internal Whistleblower line for employees to access in the event of a suspected fraud or misconduct. This could be accessible through COFI and overseen by the Governance team.</p>	<p>a) Officers will review how this recommendation can be implemented into current procurement processes.</p> <p>b) Officers are undertaking a review of how officers are inducted into the organisation and this recommendation will be considered as part of this process.</p> <p>c) Officers will prepare an appropriate roll out plan for the Fraud and Misconduct Control Policy, including educating staff on fraud and misconduct.</p> <p>d) Officer will investigate options to implement this recommendation and present this information to the Executive Leadership Team for consideration.</p>



Audit area	Recommended actions	Officer response
Risk Management	<p>6. Rollout the Risk Management Framework</p> <p>(a) When the Risk Management Framework (RMF) is rolled out, this should trigger a review of the Corporate Risk Register and Issues Reports, as the content is referencing the issue rather than a corporate risk.</p> <p>(b) To that end, revisit the Corporate Risk Register, as currently described. It is unusual for so many risks with a LOW residual risk rating. Consider re-assessing and potentially grouping the issues into one more holistic risk to the City.</p> <p>(c) As part of the RMF rollout, consider seeking independent assurance that the controls stated for key/critical risk are operating as described. Thus, providing comfort on the correctness of the assessed residual risk level. This is a function which can be carried out by an internal auditor.</p>	<p>As noted above, a review of the Corporate Risk Register is currently being undertaken to ensure risks are recorded and reported correctly.</p> <p>These recommendations will be taken into consideration when reviewing the risk register and will be provided to the consultant to address during the training with Managers and Executive Team.</p>
Risk Management	<p>7. Consider having an Internal Audit function</p> <p>The Administrative Policy - Internal Review outlines the above 'audit' coverage. It was scheduled for review in September 2022. In the review, it is timely to re-consider if the City would now benefit from an in-house auditor to strengthen the City's assurance functions. Such a function could be resourced internally either full time or part time. A part time role would then have capacity to assist with other duties, such as risk management activities. Alternatively, external providers could be engaged on an as-needs basis.</p>	<p>The City engages external consultants to undertake internal audits and other reviews as required, and will take this recommendation into consideration.</p>



Audit area	Recommended actions	Officer response
Risk Management	<p>8. Strengthen Procurement Monitoring</p> <p>a) Consider amending the City’s Procurement Risk Management Procedure to require suppliers to sign that they will operate ethically and in a socially sustainable way.</p> <p>b) Implement the proposed monitoring controls to address the issues regarding ‘Creating purchase orders post invoicing’ and the calling of tenders for contracts to suppliers above \$250,0000.</p>	<p>a) As per the response provided the recommendation 5a.</p> <p>b) As reported in the OAG Audit action responses - The City is aware that there may be instances when Procurement in excess of \$250,000 is not in line with the required tendering obligations. Controls are in place to identify these anomalies and processes to resolve this matter are being progressed by Financial Services.</p> <p>The City is also undertaking a project to migrate its current financial management system (TechOne) to the cloud. This process requires a review of various procurement processes, and officers are using this project as an opportunity to address these issues.</p>
Risk Management	<p>9. Strengthen review of fraud and misconduct risks</p> <p>Consider:</p> <p>(a) Periodic reporting to ELT on fraud/misconduct matters and submitting the annual Public Sector Commission Integrity report to ELT for formal noting.</p> <p>(b) Governance to assess key areas traditionally viewed as high risk from a fraud perspective, in relation to residual fraud risk. For example: cash handling, suppliers’ data management, bank accounts changes, inventory, payroll etc. The outcome and any recommendations should be reported to ELT and captured in the Audit Action Log Register tracking.</p>	<p>a) b) these recommendations will be considered in the roll out plan for the Fraud and Misconduct Control Policy.</p> <p>c) this recommendation will be considered as part of the review Corporate Risk Register</p> <p>d) officers will action this recommendation as soon as practical.</p>



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Audit area	Recommended actions	Officer response
	<p>(c) Including a high-level fraud/misconduct risk in the Corporate Risk register with the control effectiveness to be considered at a City-wide level in an annual review.</p> <p>(d) The Fraud and Misconduct Policy references an internal audit plan, whereas as the City does not have such a function. The Policy requires amending.</p>	
Risk Management	<p>10. Ensure Governance has adequate resources</p> <p>Given recent staffing changes in the Governance Team, ensure that sufficient Governance resources continue to be available to continue to conduct the Governance Training session for new starters</p>	<p>The City is currently in the process of recruiting current vacancies in Governance Team and a new Risk Officer role has been created, which will be recruited in the coming months.</p>
Risk Management	<p>11. Approval of Credit Card transactions</p> <p>The City uses credit cards, with the Manager Financial Services approving the Directors’ and the CEO’s. It is recommended that the CEO should approve the Directors’ credit card claims, with a Director to approve the CEO’s.</p>	<p>This process has since been updated and is now in place.</p>

Each of the recommendations provided above are rated Moderate, in line with the City’s Risk Management Framework and will be addressed accordingly.

It is acknowledged that staff resourcing issues may have impacted the results of this review due to a loss of corporate knowledge and staff capacity, however, officers are confident that this matter is improving, and appropriate reviews of processes and systems are being undertaken to rectify gaps that are identified.

All actions required as an outcome of this review will be recorded in the City’s Audit Register and will be monitored and reported accordingly.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required.



COMMITTEE RECOMMENDATION ITEM ARMC2302-3
(Officer's recommendation)

Moved: Cr Fedele Camarda

Seconded: Cr Jenny Archibald

Council:

- 1. Receive the final report for the Chief Executive Officer triennial systems and procedures review, as provided in Attachment 1.**
- 2. Support the recommended actions outlined in the officer's report, as appropriate actions to be undertaken by administration in response to the matters identified in this review.**

Carried: 6/0

**Cr Fedele Camarda, Cr Andrew Sullivan, Cr Jenny Archibald
Cr Marija Vujcic, Cr Frank Mofflin, Mr Ben Arnold**



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ARMC2302-4

**ADOPTION OF THE 2022 COMPLIANCE AUDIT
RETURN**

Meeting date: 15 February 2023
Responsible officer: A/Manager Governance
Decision making authority: Council
Attachments: 1. 2022 Compliance Audit Return
Additional information: 1. Quantum Assurance – Quality Assurance
Review Report

SUMMARY

The 2022 Compliance Audit Return (CAR) has now been completed by an independent auditor and is presented to Council for adoption in accordance with regulation 14 of the *Local Government (Audit) Regulations 1996*.

It is recommended that Council adopt the 2022 Compliance Audit Return as shown in attachment 1 and note that it will be submitted to the Department of Local Government, Sport, and Cultural Industries by 31 March 2023.

BACKGROUND

In accordance with regulation 14 of the *Local Government (Audit) Regulations 1996*, each local government authority is required to carry out a compliance audit for the period 1 January to 31 December of each year.

The City engaged Quantum Assurance as an independent consultant to assist with the completion of the 2022 Compliance Audit Return (CAR). An in-depth Quality Assurance Review Report has been provided by Quantum Assurance and is provided in the additional information attachments.

The 2022 CAR contains 94 questions focusing on the local government's compliance with the requirements of the Act and its Regulations, in relation to the following matters:

- a) Commercial Enterprises by Local Governments
- b) Delegation of Power / Duty
- c) Disclosure of Interest
- d) Disposal of Property
- e) Elections
- f) Finance
- g) Integrated Planning and Reporting
- h) Local Government Employees
- i) Official Conduct
- j) Optional Questions
- k) Tenders for Providing Goods and Services



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Under section 14 (3A) of the *Local Government (Audit) Regulations 1996*, the Audit and Risk Management Committee is required to review the compliance audit return and make recommendations to Council on any action required in response to the audit findings. The Council are required to adopt the CAR prior to it being submitted to the Minister for Local Government before the deadline of 31 March 2023.

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

In accordance with Section 7.13(1)(i) of the *Local Government Act 1995* and Regulations 13, 14 and 15 of the *Local Government (Audit) Regulations 1996*, local governments are required to carry out an audit of compliance for the period 1 January to 31 December each year.

Following preparation of the return a local government is to:

- a. Review the audit report at its audit committee,
- b. Present the audit report to council,
- c. Adopt the audit report, and
- d. Record the audit report in the minutes of that meeting.

The return is to be signed by the Mayor and Chief Executive Officer before it is submitted to the Department of Local Government, Sport and Cultural Industries by the 31 March following the period to which the return relates.

CONSULTATION

In order to provide an appropriate response to each question, the auditor consulted with all appropriate officers within the city, seeking information and evidence in relation to the questions asked in the return.

OFFICER COMMENT

The City's consultant as the 'reviewer', met with relevant officers to review each of the 94 questions contained in the CAR and examined documents to verify answers. The responses provided by the reviewer in the draft CAR shown in Attachment 1, are based on these examinations.



Questions are asked in a positive phrase where a 'yes' response indicates compliance and a 'no' response indicates non-compliance. In some cases, an 'NA' response may be recorded which indicates that the question did not apply to the City during the return period.

Of the 94 questions contained within the 2022 CAR, 9 non-compliances has been identified, as shown in the following table:

Reference	Questions	Explanatory Notes
Disclosure of Interest	Question 1 Section 5.67 Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	A councillor declared a proximity interest during one Council meeting, did not leave during discussion and voted on the matter. <i>Reviewer's Recommendations</i> <i>This matter should be revisited and as necessary the relevant bodies are to be notified of this non-compliance.</i> <i>The Presiding member read out any declarations of interest made to the CEO, just prior to the item being debated, in line with LG Act s5.66(b).</i> <i>The current guidance note for elected members on conflicts of interest procedural requirements should be updated to reflect this.</i> Additional Officer response: This matter is being reviewed by the CEO and Governance Manager and appropriate action will be taken if required.
Disclosure of Interest	Question 21 Section s5.51A(1) & (3) Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?	Last adopted version on website. However, a new employee code of conduct in the process of being finalised since the introduction of the Local Government Regulations Amendment (Employee Code of Conduct Regulations) 2021 Additional Officer response: The new employee code of conduct has been drafted and will be reviewed by the Executive Leadership Team within the coming months, prior to CEO Approval.
Finance	Question 3: Section 7.9(1) Was the auditor's report for the financial year ended 30 June 2021	The City is currently awaiting the completion of the audit by the OAG's agent following the completion of the SMRC audit on the 21 December 2022.



Reference	Questions	Explanatory Notes
	received by the local government by 31 December 2021?	Completion expected early January 2023.
Finance	Question 5 Section.12A(4)(a) & (4)(b) Where matters identified as significant were reported in the auditor’s report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	In FY21 when the OAG’s opinion was received one significant item was noted. Action has been undertaken to address this matter and was reported to the City’s Audit and Risk Management Committee and Council. Findings report and associated actions is available on the City’s website via the minutes of the Ordinary Council Meeting October 2022 (ARMC2210-4).
Finance	Question 6 s7.12A(5) Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government’s official website?	Refer above.
Optional Questions	Question 3 Section.87C Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C?	Disclosures were made within 10 days; however, one disclosure did not contain all of the information required by section 5.87c. however this information was provided at a later date. <u>Additional Officer response:</u> This matter is being reviewed by the CEO and Governance Manager and appropriate action will be taken if required.
Optional Questions	Question 8 Section 6.4(3) By 30 September 2021, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2021?	Documents were submitted to the auditor 4th October, being one business day later than 30 September 2022.
Tenders for Providing Goods and Services	Question 1 Function & General Reg 11A(1) & (3) Did the local government comply with its current purchasing policy [adopted under F&G Reg 11A(1) & (3)] in relation to the supply of	The City is aware that there may be instances when Procurement in excess of \$250,000 is not in line with the required tendering obligations.



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Reference	Questions	Explanatory Notes
	goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Controls are in place to identify these anomalies. Processes to resolve this matter are being progressed by Financial Services.
Tenders for Providing Goods and Services	Question 3 Function & General Regs 11(1), 12(2), 13, & 14(1), (3), and (4) When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	The City advertises tenders on the City’s website. These are published on Tenderlink (accessible to any entity, with an ABN, registered); Linked In and other social network platforms. During the year a small number of tenders were not advertised in newspapers due to a changeover in staffing. The City has now re-started this practice.

The City has achieved a 90% compliance rating for the period covered by the 2022 CAR, this compares with 95% compliance in the 2021 CAR. As previously reported to the Audit and Risk Management Committee, staff vacancy levels and high turnover of staff during 2022, may have contributed to the lower compliance rating for 2022.

The matters identified as non-compliant in the CAR will be reviewed by officers and appropriate action will be taken to improve compliance. In addition, the recommendations made by Quantum Assurance will be reviewed and taken into consideration when addressing the areas of non-compliance and all actions required as an outcome of this audit will be recorded in the City’s Audit Register and will be monitored and reported accordingly.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required.

OFFICER'S RECOMMENDATION

Council:

1. Adopt the 2022 Compliance Audit Return as shown in Attachment 1.
2. Note that the 2022 Compliance Audit Return will be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.



OFFICER’S AMENDED RECOMMENDATION

Moved: Cr Fedele Camarda Seconded: Cr Andrew Sullivan

3. Adopt the 2022 Compliance Audit Return as shown in Attachment 1, with an amendment to the response to the following question:

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy [adopted under F&G Reg 11A(1) & (3)] in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	No Yes	<p>The City is aware that there may be instances when Procurement up to \$250,000 is not in line with the required tendering obligations.</p> <p>Controls are in place to identify these anomalies.</p> <p>Processes to resolve this matter are being progressed by Financial Services.</p>	Procure to Pay Team Lead

Reason for change:

A comment regarding purchases over \$250,000 (that were approved exemptions under the policy) was incorrectly placed against this audit item, which only relates to purchases up to \$250,000. As a result of this, the independent agency conducting the audit made a minor change to the wording in error which resulted in the comment reading as though it was relating to purchases up to \$250,000. Officers can confirm that the City did comply with its current purchasing policy [adopted under F&G Reg 11A(1) & (3)] in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less.



COMMITTEE RECOMMENDATION ITEM ARMC2302-4
(Officer’s amended recommendation)

Moved: Cr Fedele Camarda

Seconded: Cr Jenny Archibald

Council:

- 1. Adopt the 2022 Compliance Audit Return as shown in Attachment 1, with an amendment to the response to the following question:**

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy [adopted under F&G Reg 11A(1) & (3)] in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Procure to Pay Team Lead

- 2. Note that the 2022 Compliance Audit Return will be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.**

Carried: 6/0

**Cr Fedele Camarda, Cr Andrew Sullivan, Cr Jenny Archibald
Cr Marija Vujcic, Cr Frank Mofflin, Mr Ben Arnold**



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ARMC2302-5 OAG AUDIT ACTIONS UPDATE – FEBRUARY 2023

Meeting date:	15 February 2023
Responsible officer:	Director City Business
Decision making authority:	Council
Attachments:	<ol style="list-style-type: none">1. Audit Actions Register2. Action Plan – Significant and Moderate OAG Audit Findings3. Completed Actions OAG Audit Finding <i>(Confidential attachments under separate cover)</i>
Additional information:	Nil

SUMMARY

This report provides an update on the status of actions arising from annual audits carried out by the Office of the Auditor General (OAG) and an action plan regarding the resolution of remaining actions.

The report also requests the Audit and Risk Management Committee receives and endorses the list of audit actions that officers determined have been adequately addressed.

BACKGROUND

The Local Government Act requires the City's accounts and annual financial report to be audited annually by an independent auditor.

In October 2017, the Local Government Amendment (Auditing) Act 2017 was proclaimed, giving the Auditor General the mandate to audit Western Australia's local governments and regional councils.

The Act allowed the Auditor General to conduct performance audits from that date while financial audits transitioned to the Auditor General over four years (while existing local government audit contracts expired).

The 2020-21 financial audit was the first year the Auditor General had responsibility for all 148 local government audits, marking the end of the four-year transition provided in the Local Government Amendment (Auditing) Act 2017.

The City of Fremantle has now had its annual audit conducted by the OAG since then which has included a Financial Audit and General Computer Controls Audit, looking at both financial and information technology related compliance and controls.



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

In August 2022 officers presented the finalised OAG audit of the City's Annual Financial Statements for the year ending 30 June 2021 to the Audit and Risk Management Committee. The Committee subsequently requested the following:

Request the Chief Executive Officer to report to the next meeting of the Audit and Risk Committee on a prioritised and resourced action plan that considers the findings and recommendations of the OAG.

The action plan is now presented to each Audit and Risk Management Committee to provide background on status associated with any outstanding OAG audit actions.

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

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

CONSULTATION

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

OFFICER COMMENT

The City manages the implementation of actions arising from audits via its Audit Actions Register. The register includes the following information:

- The audit type, which identifies whether the action relates to finance or information systems.
- The audit area, which flags the process or activity being assessed.
- The officer responsible for implementing the action.



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- The level of significance associated with the finding which is typically associated with the level of risk and drives the priority associated with resolving the action.
- The Auditor’s recommended actions.
- Any officer response or clarification regarding the action being recommended by the Auditor. This includes the proposed change to be implemented in order to address the auditor’s recommendation.
- Comments on progress made, and current status of action being taken by the City.
- Estimated completion date and actual completion date for the items that have been resolved.

The register includes all actions and recommendations requested by auditors including those that have been completed or resolved. A breakdown of current actions (those that have not been completed) have been provided to follow.

This report relates specifically to audits carried out by the OAG. There are currently 15 OAG audit actions/recommendations that are still in progress. Of these 15:

- 10 actions relate to financial systems, procedures or reporting relating to the financial audit.
- 5 actions relate to information systems, general computer controls and other more general actions.

The actions are categorised by risk rating with ratings including low, minor, medium, moderate and significant. Of the 15 OAG audit actions currently outstanding:

- 2 findings are considered to be significant
- 8 findings are considered to be moderate
- 2 findings are considered to be medium
- 2 findings are considered to be minor
- 1 findings are considered to be low

In order to progress the finalisation of audit actions, officers have prioritised the 2 significant findings and 10 moderate or medium findings that remain in progress, starting with those listed as significant. The current status and action/implementation plan for each significant and moderate finding has been provided in attachment 2.



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The register also identifies 14 actions/recommendations that have now been completed or resolved since the last time the audit and risk committee was updated on progress. The items that have been completed and the actions undertaken in order to achieve the required resolution have been provided in attachment 3.

It should be noted that given timelines between audit cycles are so close, actions from previous audits that are close to being finalised (i.e. prior to the end of this calendar year) may also appear as findings in the coming audit.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required.

**COMMITTEE RECOMMENDATION ITEM ARMC2302-5
(Officer’s recommendation)**

Moved: Cr Fedele Camarda

Seconded: Cr Andrew Sullivan

Council:

- 1. Receive the updated Audit Actions Register.**
- 2. Receive the Audit Action Plan for Significant and Moderate Findings detailed in Attachment 2 - Action Plan – Significant and Moderate OAG Audit Findings.**
- 3. Note the OAG audit action items detailed in Attachment 3 - Completed Actions OAG Audit Findings as complete.**

Carried: 6/0

**Cr Fedele Camarda, Cr Andrew Sullivan, Cr Jenny Archibald
Cr Marija Vujcic, Cr Frank Mofflin, Mr Ben Arnold**



7.2 Finance

ARMC2302-6 OVERDUE DEBTORS REPORT AS AT 31 DECEMBER 2022

Meeting date:	15 February 2023
Responsible Officer:	Director City Business
Decision making authority:	Council
Attachments:	1. Summary of Overdue Debts above Threshold <i>(Confidential attachment under separate cover)</i>
Additional information:	Nil

SUMMARY

This Overdue Debtors Report, with confidential attachment, is provided to the Audit and Risk Management Committee to report details of overdue debts, as at 31 December 2022, and identify those where the amount owing is over 90 days with a total debt exceeding \$10,000.

This report recommends that Council receive the Overdue Debtors Report and acknowledge the overdue debts exceeding 90 days that have a combined value greater than \$10,000 as at 31 December 2022.

BACKGROUND

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

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



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FINANCIAL IMPLICATIONS

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

As at the year ending 30 June 2022 an amount of \$165,134 was held as an allowance for impairment of sundry receivables. As at 31 December 2022, the current allowance held as impairment remains at \$165,134 with no debts being waived or written off to date in the 2022/23 financial year.

Summary of Sundry Debtors

As at 31 December 2022 no Sundry debts have been waived or written off during the 2022/23 financial year.

Summary of Rates Debtors

As at 31 December 2022 no Rates debts have been waived or written off during the 2022/23 financial year.

LEGAL IMPLICATIONS

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

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

- The Chief Executive Officer has delegated authority to write off debts (not including rates or infringement) considered unrecoverable up to \$50,000 per account where, in the opinion of the Chief Executive Officer, all other reasonable avenues of recovery have been exhausted.
- Directors and Managers have various sub-delegated authority to write off debts (not including rates or infringement) considered unrecoverable up to \$20,000 per account where, in the opinion of the Director or Manager, all other reasonable avenues of recovery have been exhausted.

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

Any amount more than \$50,000 is to be written off by Council resolution. A Council resolution authorising the write-off of any bad debt does not prevent Council from



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reinstating the debt if the future circumstances change and the debt becomes collectable.

CONSULTATION

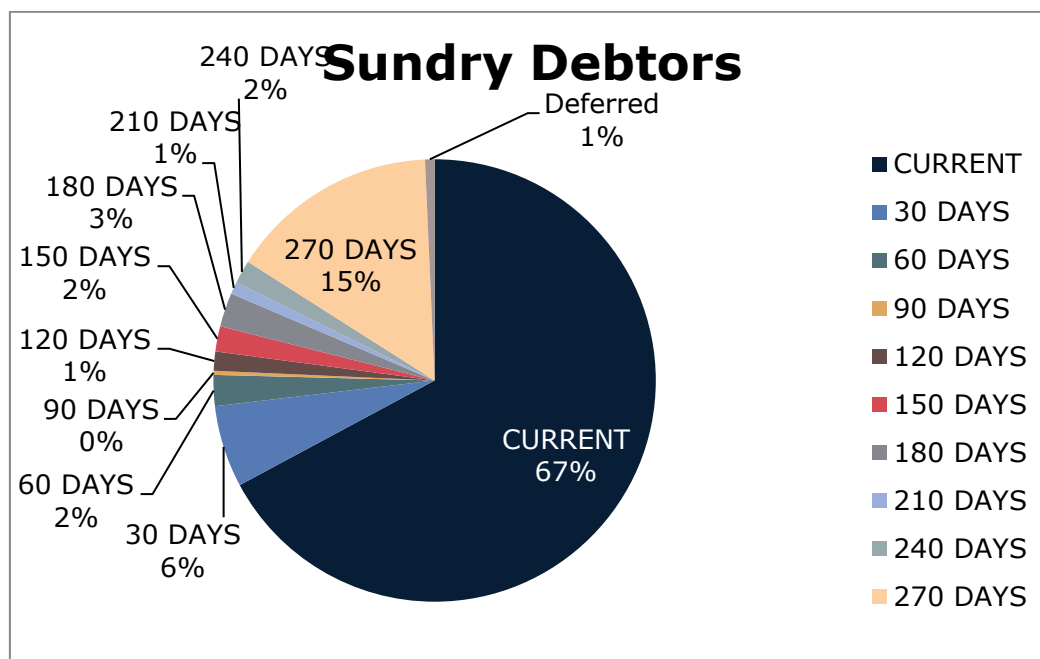
Nil

OFFICER COMMENT

The total of debts outstanding as at 31 December 2022 was \$1,575,112. A breakdown of aged debt for the current period compared to prior year is tabled below.

Period Ending December	Current	30 Days	60 Days	90+ Days	Total
July 22 – December 22	67%	6%	2%	25%	100%
	1,057,822	94,278	35,604	387,408	1,575,112
July 22 – December 22 Excl. Commercial Properties	87%	7%	1%	5%	100%
	876,556	67,584	8,266	53,337	1,005,744
July 21 – December 21	482,729	138,071	54,138	468,326	1,143,264

The graph below shows the aged debt balances as at 31 December 2022:



Compared to the report of overdue debtors at 31 August 2022, presented to Audit and Risk Management Committee at the 19 October 2022 meeting, the total value of outstanding debts has increased from \$1,084,426 to \$1,575,112.



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Total outstanding debt over 90 days has decreased from \$524,311 at the end of the previous reporting date to \$387,408. This reduction of \$136,908 was due to a credit note being issued as per variation of a licence agreement, which was offset by an overall increase in other debtors exceeding 90 days.

The number of overdue debtors over 90 days, and above the total debt reporting threshold of \$10,000, has decreased from eight to six. Of the eight reported in the previous period, two debtors were removed from the report – one debtor was removed as the debt was fully settled, and one debtor was removed as ongoing repayments meant the total debt fell below the \$10,000 threshold.

These six debtors have a total debt owing of \$333,036, of which \$305,764 is over 90 days. The confidential attachment contains details of the debtors comprising this balance. Of the total outstanding, \$10,866 is deferred and subject to an agreed payment arrangement to secure payment in full by 30 June 2023.

Key Performance Indicators

At the October 2022 meeting of the Audit and Risk management committee, it was requested that the key performance indicators currently used to report on debt collection performance are no longer used, and a more suitable approach to reporting on ageing debt is implemented prior to the next Audit and Risk Management Committee.

Officers have now removed the existing performance indicators and have been developing a more suitable approach to measuring performance with regard to management of overdue debtors.

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

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

Officers consider all of these metrics alongside each other rather than in isolation, making it challenging to establish a single and easy to interpret metric that measures overall performance with respect to outstanding debt.

Notwithstanding this challenge, officers have determined that the debtor day ratio metric may assist in providing an overarching assessment of general performance of outstanding debtors. The debtor day ratio measures how quickly cash is being collected from debtors regardless of the level of total outstanding amount of debt or the type of debt, allowing for a consistent metric that will identify periods where debtors are taking longer to pay down outstanding debt.



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Officers are currently reviewing historical data to establish suitable benchmarks and thresholds in order to establish performance indicators that the debtor day ratio can be measured against. A simple and visual approach to communicating this information is also being developed and it is estimated to be incorporated in the April 2023 Audit and Risk Management Committee agenda.

In the interim, officers have provided a number of metrics that provide an initial snapshot of performance and or status of outstanding debtors to follow.

Debtor Day Ratio

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

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

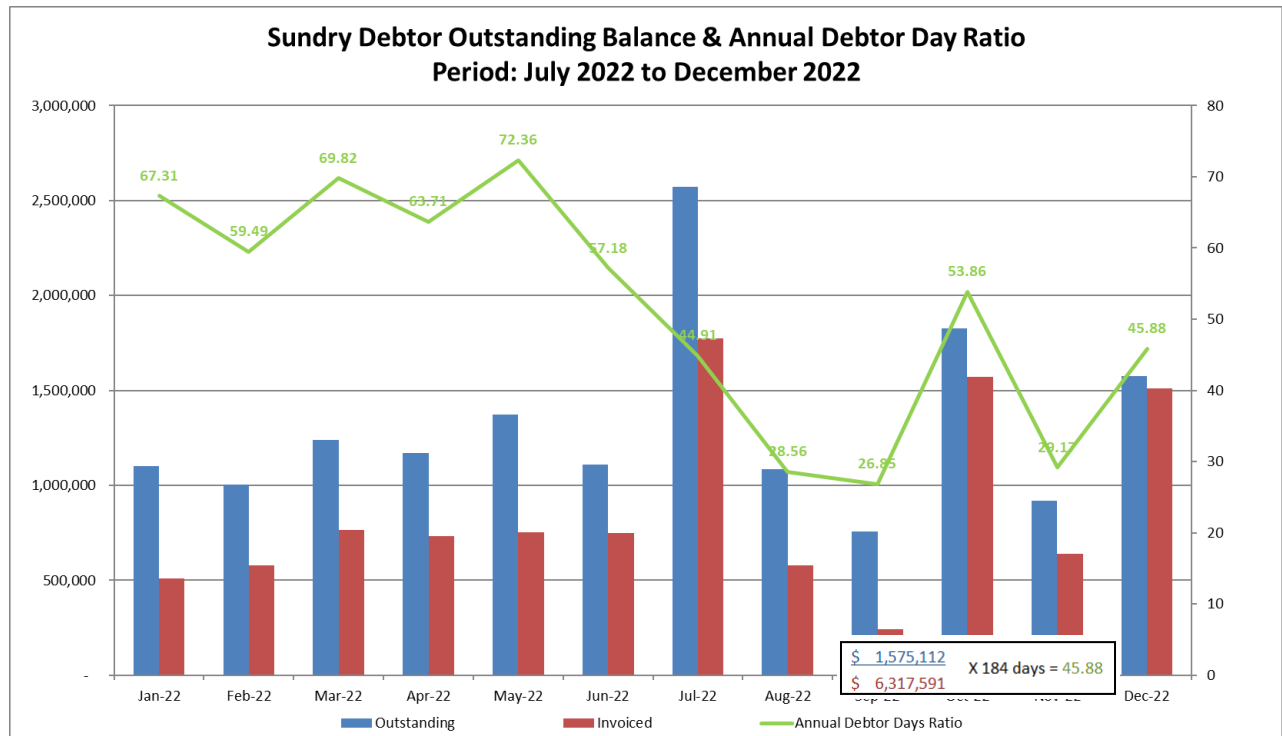
Prior financial year information is presented together with the current financial year as a comparative to demonstrate the City's ability to collect funds owed to the City when due.

As at 31 December 2022, the Debtor Day Ratio was 45.88 – being an increase from the prior reporting period as at 31 August 2022 – of 28.56. Of outstanding debt as at 31 December 2022, 67% related to current invoices that were not yet due.

The chart indicates a positive trend since January 2022 with a notable reduction in debtor day ratio over time, indicating that on average outstanding debt is being collected more quickly. There has also been a significant reduction in total amount of outstanding debt since July 2022.



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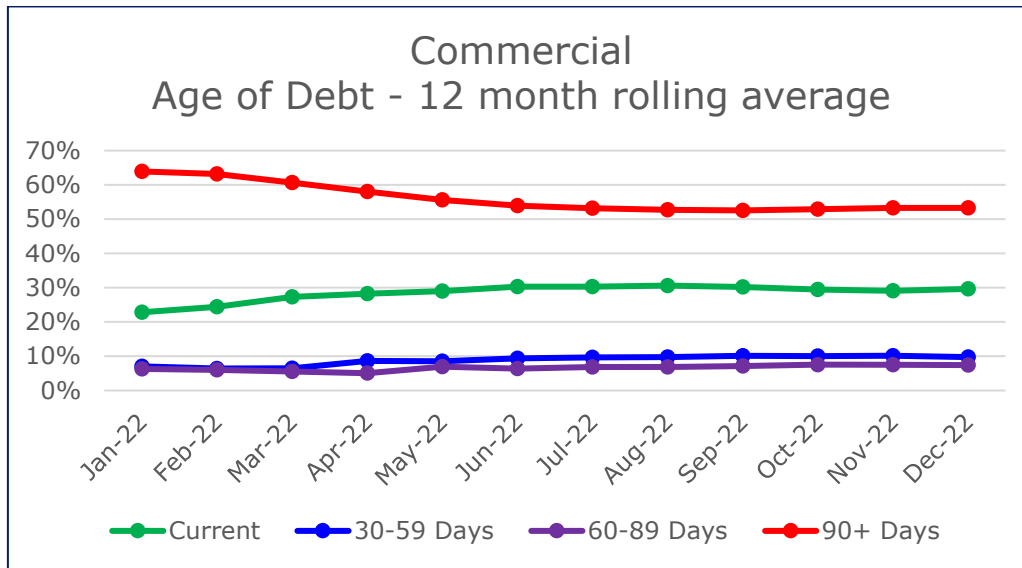
Age of Debt

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

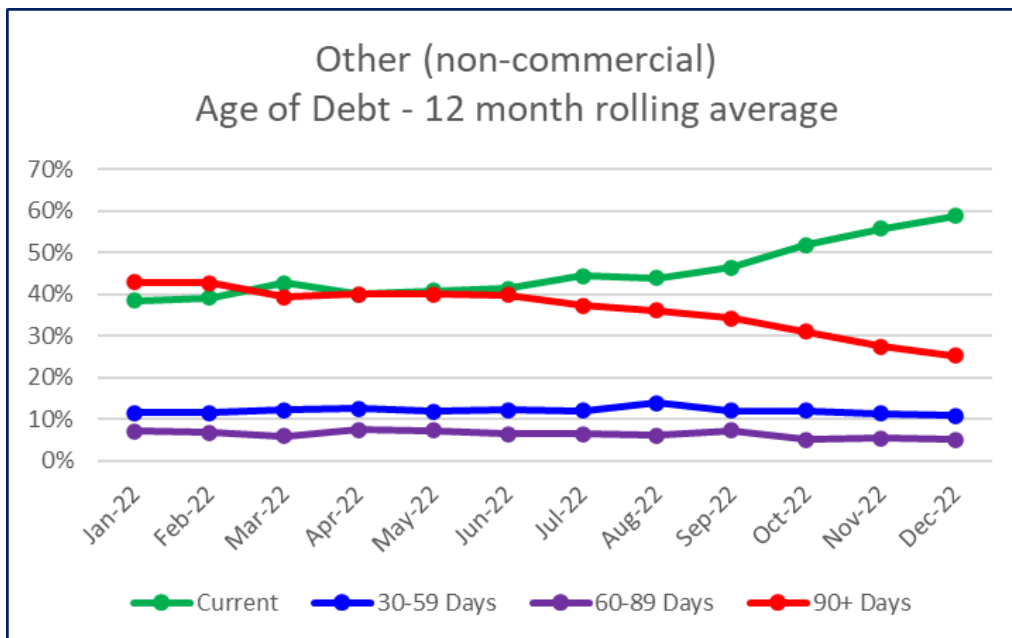
The 12-month rolling average of Commercial debt shows that the portion of debt that is current has increased and remains steady at 30% while the portion of debt that is over 90 days has similarly decreased over time and appears to be steadying. This represents a positive trend and indicates an increasing percentage of debt being paid earlier. Meanwhile the portion of debt in the 30-59 days and 60-89 days has not significantly changed.



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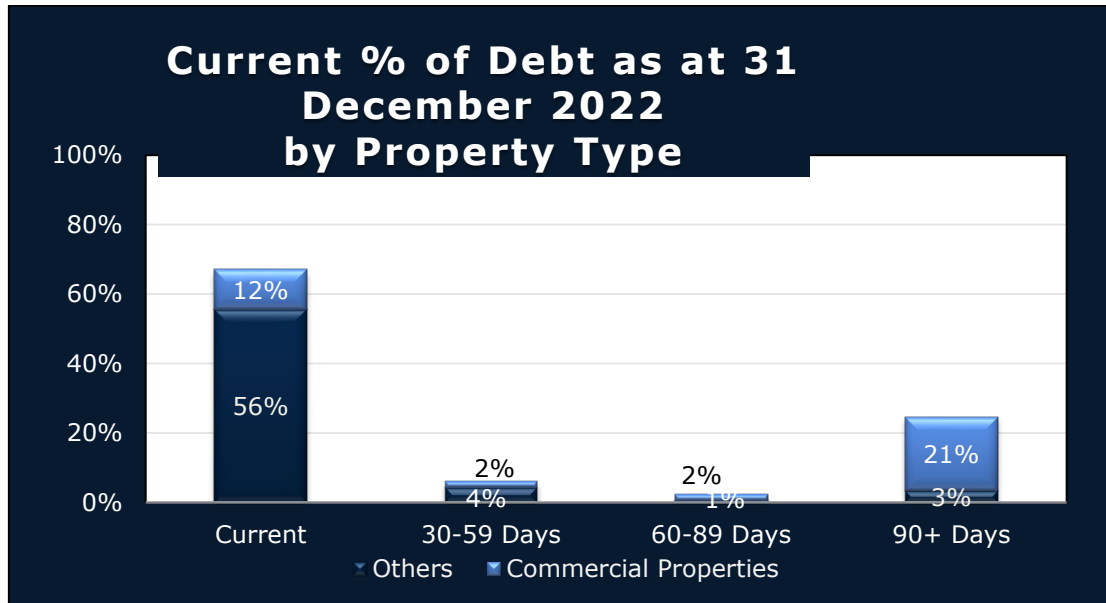


For Other (non-commercial) debt, the trends are also positive with current debt trending to represent a larger percentage of from approximately 40% in January 2022 to almost 60% in December 2022. Debt over for more than 90 days has decreased from slightly above 40% in January 2022 to approximately 25% in December 2022. Meanwhile the portion of debt in the 30-59 days and 60-89 days has not significantly changed.



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



Of total debt, Commercial Properties account for 36% (\$570k), and account for 21% of the debt owing 90 days or more (\$334k). Deferred payment arrangements are currently in place for \$10,866 of total overdue Commercial Property debts.

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

Impact of COVID on Commercial Property

In response to COVID-19, the State Government created legislation and guidelines aimed at protecting commercial tenants who may have been subject to financial duress as a result of the pandemic.

The City adhered to the legislation and guidelines in order to support its commercial tenants and opted to provide rent waivers in cases where tenants could demonstrate financial loss as a result of COVID-19.

During the emergency period (April 2020 – September 2020) landlords were required to provide waivers of up to 100%. The waivers during this period were to be provided commensurate with any loss that could be demonstrated by the business as a result to COVID-19.

During the recovery period (October 2020 – March 2021) landlords were required to provide waivers up to 50%. The waivers during this period were to be provided commensurate with any loss that could be demonstrated by the business as a result to COVID-19.



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

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

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

To date, of the \$492,579 only **\$10,866** remains outstanding. This is a reduction from the prior reporting period of \$ 3,776, with all debtors currently paying their debts progressively via direct debit arrangements.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ITEM ARMC2302-6
(Officer's recommendation)

Moved: Cr Fedele Camarda

Seconded: Cr Jenny Archibald

Council receive the Overdue Debtors Report as at 31 December 2022, and the confidential attachment listing overdue debts exceeding 90 days with the combined value, by debtor, exceeding \$10,000 as at 31 December 2022.

Carried: 6/0

**Cr Fedele Camarda, Cr Andrew Sullivan, Cr Jenny Archibald
Cr Marija Vujcic, Cr Frank Mofflin, Mr Ben Arnold**



7.3 Health, Safety and Environment

Nil.

7.4 Legal, Reputation and Brand

ARMC2302-7 EMERGING ISSUES REPORT – FEBRUARY 2023

Meeting date:	15 February 2023
Responsible officer:	Director City Business
Decision making authority:	Council
Attachments:	1. Corporate Issues Summary Report (August) <i>(confidential attachment under separate cover)</i>
Additional information:	Nil

SUMMARY

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

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

BACKGROUND

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

FINANCIAL IMPLICATIONS

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



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LEGAL IMPLICATIONS

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

CONSULTATION

Nil

OFFICER COMMENT

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

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

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

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

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required.

**COMMITTEE RECOMMENDATION ITEM ARMC2302-7
(Officer’s recommendation)**

Moved: Cr Fedele Camarda

Seconded: Mr Ben Arnold

Council receive the emerging issues report for February 2023.

Carried: 6/0

**Cr Fedele Camarda, Cr Andrew Sullivan, Cr Jenny Archibald
Cr Marija Vujcic, Cr Frank Mofflin, Mr Ben Arnold**



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8. Motions of which previous notice has been given

Nil

9. Urgent business

Nil

10. Late items

Nil

11. Confidential business

Nil

12. Closure

The Presiding Member declared the meeting closed at 6.50pm.