



Minutes

Audit and Risk Management Committee

Monday 17 June 2024 6pm



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4. Deputations

Nil

5. Presentations

Mr Matt Hammond, Director City Business and Ms Alida Ferreira, Manager Financial Services provided a presentation on the following items:

1. Review 2022/23 Audit
2. Annual External Audit Activities
3. Link to Audit Action Register
4. Proposed Internal Audit Plan
5. IT Security Review

6. Confirmation of minutes

COMMITTEE DECISION

Moved: Cr Frank Mofflin

Seconded: Cr Andrew Sullivan

The Audit and Risk Management Committee confirm the minutes of the Audit and Risk Management Committee meeting dated 18 March 2024.

Carried: 6/0

**Mayor Hannah Fitzhardinge, Cr Frank Mofflin, Cr Jenny Archibald
Cr Ingrid van Dorssen, Cr Andrew Sullivan, Ms Hayley Manser**

7. Elected member communication

Nil.



8. Reports and recommendations

8.1 Governance and Compliance

ARMC2406-1 AUDIT ACTIONS UPDATE – MAY 2024

Meeting date:	17 June 2024
Responsible officer:	Director City Business
Voting:	Simple Majority
Attachments:	Nil
Confidential Attachments:	1. Audit Actions Register

SUMMARY

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

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

BACKGROUND

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

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

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

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

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

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



FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

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

CONSULTATION

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

OFFICER COMMENT

Following feedback received at the previous Audit and Risk Management Committee meeting, officers have implemented a simplified spreadsheet that aggregates reporting on all audits and provides committee members with a clear and succinct update on each finding.

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

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

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

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



VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ARMC2406-1 **(Officer's recommendation)**

Moved: Cr Frank Mofflin

Seconded: Cr Andrew Sullivan

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

Carried: 6/0

**Mayor Hannah Fitzhardinge, Cr Frank Mofflin, Cr Jenny Archibald
Cr Andrew Sullivan, Cr Ingrid van Dorssen, Ms Hayley Manser**



ARMC2406-2 EMERGING ISSUES REPORT – MARCH TO MAY 2024

Meeting date:	17 June 2024
Responsible officer:	Manager Governance
Voting requirements:	Simple Majority
Attachments:	Nil
Confidential Attachments:	1. Emerging Issues Summary Report (March-May)

SUMMARY

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

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

BACKGROUND

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

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

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

CONSULTATION

Nil



OFFICER COMMENT

The table provided in confidential attachment 1 identifies the current or emerging issues which are considered significant by the organisation. Some are in action, and some are under review by the organisation and will continue to be updated to the Audit and Risk Management Committee over time.

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

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

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

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

Cr Mofflin moved the officer's recommendation in two parts, to enable Cr Sullivan to speak and vote in relation to the emerging issues report, excluding emerging issue number 22/004.

Cr Andrew Sullivan declared a financial interest in relation to emerging issue number 22/004 and left the meeting at 6:57pm, for the discussion and voting of this matter.

OFFICER'S RECOMMENDATION ARMC2406-2 **(Part 1)**

Moved: Cr Frank Mofflin

Seconded: Cr Jenny Archibald

Council receive the emerging issues report (*relating to emerging issue number 22/004*) for March to May 2024, as detailed in confidential attachment 1.

Carried: 5/0

**Mayor Hannah Fitzhardinge, Cr Frank Mofflin, Cr Jenny Archibald
Cr Ingrid van Dorssen, Hayley Manser**

Cr Andrew Sullivan returned at 7.01pm.



OFFICER'S RECOMMENDATION ARMC2406-2
(Part 2)

Moved: Cr Frank Mofflin

Seconded: Mayor Hannah Fitzhardinge

Council receive the emerging issues report (*excluding Item 22/004*) for March to May 2024, as detailed in confidential attachment 1.

Carried: 6/0

**Mayor Hannah Fitzhardinge, Cr Frank Mofflin, Cr Jenny Archibald
Cr Andrew Sullivan, Cr Ingrid van Dorssen, Ms Hayley Manser**

COMMITTEE RECOMMENDATION ARMC2406-2

Council receive the emerging issues report for March to May 2024, as detailed in confidential attachment 1.



8.2 Finance

Cr Ingrid van Dorssen left the meeting at 7:02pm, before the following item and did not return.

Mayor Hannah Fitzhardinge left the meeting at 7:01pm and returned at 7:04pm before the discussion and voting of the next item.

ARMC2406-3 PURCHASING POLICY EXEMPTIONS MARCH TO MAY 2024

Meeting date:	17 June 2024
Responsible officer:	Manager Financial Services
Voting requirements:	Simple Majority
Attachments:	1. Purchasing Policy Exemption Detail March to May 2024

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 March to May 2024.

This report recommends that Council receive the Purchasing Policy Exemptions report for March to May 2024.

BACKGROUND

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

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

FINANCIAL IMPLICATIONS

Nil

LEGAL IMPLICATIONS

Nil

CONSULTATION



Nil

OFFICER COMMENT

March 2024

The total value of spending exempt from the City of Fremantle Purchasing Policy was **\$15,850.00** for the month of March 2024.

The value of exemptions by category is:

Exemption Category	Value
Request for Artist	\$5,850.00
Sole Source of Supply	\$10,000.00
Total	\$15,850.00

Details regarding individual exemptions can be found in Attachment 1.

April 2024

The total value of spending exempt from the City of Fremantle Purchasing Policy was **\$76,958.00** for the month of April 2024.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consulting Advice	\$25,000.00
Request for Artist	\$11,750.00
Sole Source	\$40,208.00
Total	\$76,958.00

Details regarding individual exemptions can be found in Attachment 1.

May 2024

The total value of spending exempt from the City of Fremantle Purchasing Policy was **\$38,391.82** for the month of May 2024.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consulting Advice	\$35,641.82
Request for Artist	\$2,750.00
Total	\$38,391.82



Details regarding individual exemptions can be found in Attachment 1.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

**COMMITTEE RECOMMENDATION ARMC2406-3
(Officer's recommendation)**

Moved: Cr Frank Mofflin

Seconded: Cr Jenny Archibald

Council receive the information report on Purchasing Policy exemptions for March to May 2024.

Carried: 5/0

**Mayor Hannah Fitzhardinge, Cr Frank Mofflin, Cr Jenny Archibald
Cr Andrew Sullivan, Ms Hayley Manser**



ARMC2406-4 TENDERS AWARDED UNDER DELEGATION MARCH TO MAY 2024

Meeting date: 17 June 2024
Responsible officer: Manager Financial Services
Voting requirements: Simple Majority
Attachments: Nil

SUMMARY

The purpose of this report is to summarise tenders awarded under delegation by various delegated officers and Committees during the period March to May 2024.

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

BACKGROUND

Tenders awarded by the City are awarded under the following delegations, approved at Council on 28 June 2023 (FPOL2306-4):

Delegated Authority	Amount of Delegation
Ordinary Meeting of Council	\$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 in line with the adopted 2023-24 budget.

LEGAL IMPLICATIONS

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

Under delegation 2.11 Expressions of interest and tenders, of the City's Register of Delegated Authority 2023-24, the Chief Executive Officer is required to report the use of this delegation to the Audit and Risk Management Committee.



CONSULTATION

Nil

OFFICER COMMENT

Below is a list of tenders awarded under delegation between March 2024 to May 2024.

March 2024

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

April 2024

Tender Description	Awarded By	Contractor(s)	Contract Term	Contract Value
FCC655/24 Works Depot Amenity Supply	Director	Modulate Group Pty Ltd	One-Off Project	\$249,815.59

May 2024

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

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ARMC2406-4 **(Officer's recommendation)**

Moved: Cr Frank Mofflin

Seconded: Cr Andrew Sullivan

Council receive the information report on Tenders awarded under Delegation for March to May 2024.

Carried: 5/0

**Mayor Hannah Fitzhardinge, Cr Frank Mofflin, Cr Jenny Archibald
Cr Andrew Sullivan, Ms Hayley Manser**



ARMC2406-5 OVERDUE DEBTORS REPORT AS AT 31 MAY 2024

Meeting date:	17 June 2024
Responsible Officer:	Manager Financial Services
Voting requirements:	Simple Majority
Attachments:	Nil
Confidential Attachments:	1. Summary of Overdue Debts above Threshold

SUMMARY

This Overdue Debtors Report, with confidential attachment, is provided to the Audit and Risk Management Committee to report details of overdue debts, as at 31 May 2024, and identify those where the amount owing is over 90 days with a total debt exceeding \$10,000.

This report recommends that Council receive the Overdue Debtors Report and acknowledge the overdue debts exceeding 90 days that have a combined value greater than \$10,000 as at 31 May 2024.

BACKGROUND

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

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

FINANCIAL IMPLICATIONS

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

As at the year ending 30 June 2024 an amount of \$160,937 is held as an allowance for impairment of sundry receivables. There have been no waivers or debt written off for the 2023/24 financial year.



Summary of Sundry Debtors

There have been no Sundry debts waived or written off during the 2023/24 financial year.

Summary of Rates Debtors

There have been no Rates debts waived or written off during the 2023/24 financial year.

LEGAL IMPLICATIONS

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

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

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

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

Any amount more than \$50,000 is to be written off by Council resolution. A Council resolution authorising the write-off of any bad debt does not prevent Council from reinstating the debt if the future circumstances change and the debt becomes collectable.

CONSULTATION

Nil

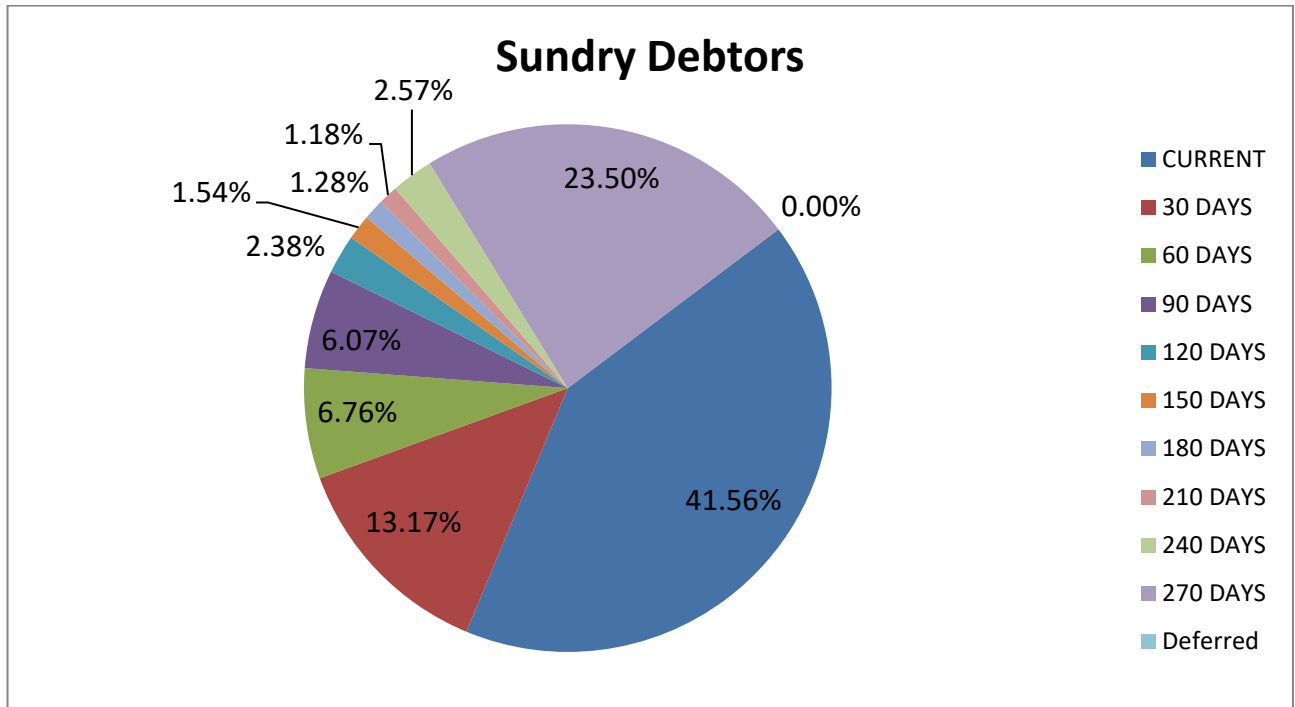
OFFICER COMMENT

The total of debts outstanding as at 31 May 2024 was \$1,105,710.34. A breakdown of aged debt for the current period compared to prior year is tabled below.



Period Ending	Current	30 Days	60 Days	90+ Days	Total
Mar 24 – May 24	42%	13%	7%	39%	100%
Mar 24 – May 24	459,499	145,660	74,715	425,837	1,105,711
Mar 24 – May 24 Excl. Commercial Properties	47%	17%	13%	22%	100%
Mar 24 – May 24 Excl. Commercial Properties	216,271	79,832	61,047	103,428	460,578
Mar 23 – May 23	390,301	45,688	54,774	365,150	855,914

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



Compared to the report of overdue debtors as at 29 February 2024, presented to Audit and Risk Management Committee at the 18 March 2024 meeting, the total value of outstanding debts has decreased from \$1,148,339 to \$1,105,710.34.

Total outstanding debt over 90 days has increased from \$402,983 at the end of the previous reporting date to \$425,837.

The number of overdue debtors over 90 days, and above the total debt reporting threshold of \$10,000, has increased by six to eleven.

Of the five previously reported, two debtors have decreased, and one has increased values of debt since the prior reporting period. The six new debtors have been contacted to commence negotiation around suitable payment arrangements.



These eleven debtors have a total debt owing of \$242,865 of which \$240,365 is over 90 days. The confidential attachment contains details of the debtors comprising this balance.

Key Performance Indicators

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

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

Officers consider all of these metrics alongside each other as well as the debtor day ratio to assist in providing an overarching assessment of general performance of outstanding debtors. The debtor day ratio measures how quickly cash is being collected from debtors regardless of the level of total outstanding amount of debt or the type of debt, allowing for a consistent metric that will identify periods where debtors are taking longer to pay down outstanding debt.

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

Debtor Day Ratio

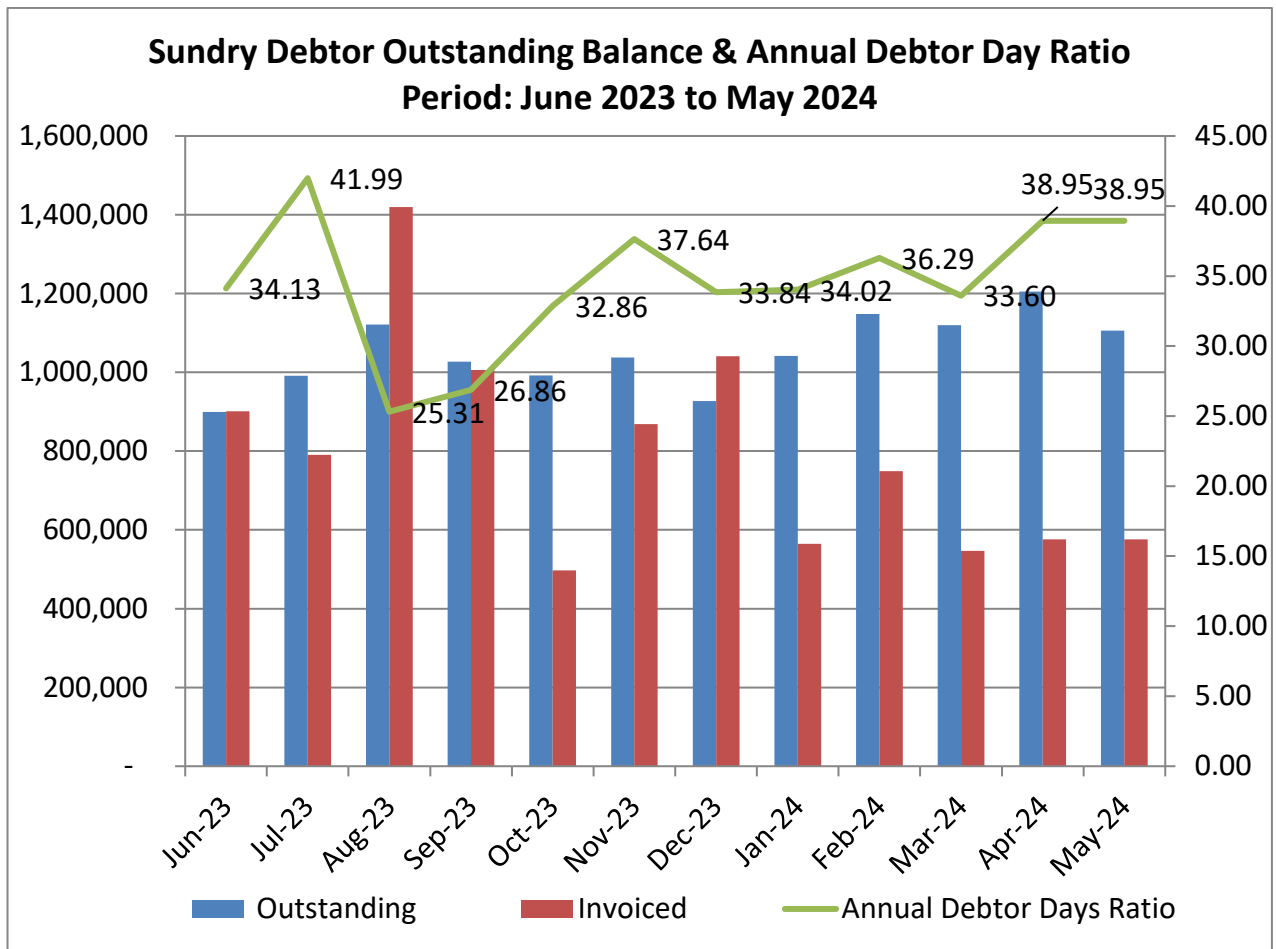
The Debtor Day Ratio measures how quickly cash is being collected from debtors. The longer it takes for an organisation to collect, the greater the number of debtor days.

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

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 May 2024, the Debtor Day Ratio was 38.95 – being a decrease from the prior reporting period as at March 2024 of 36.29.

The chart to follow indicates the debtor days over the last 12 months. Debtor days have remained below 40 since July 2023. This indicates that the overall debt collection policy is effective in containing debtor days.



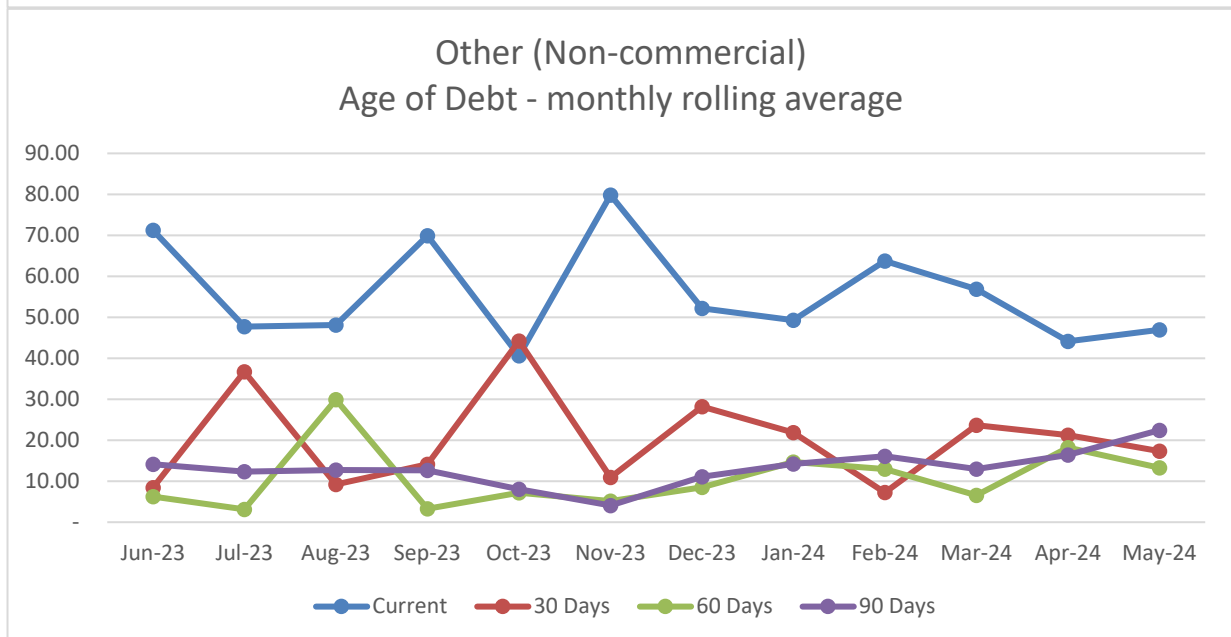
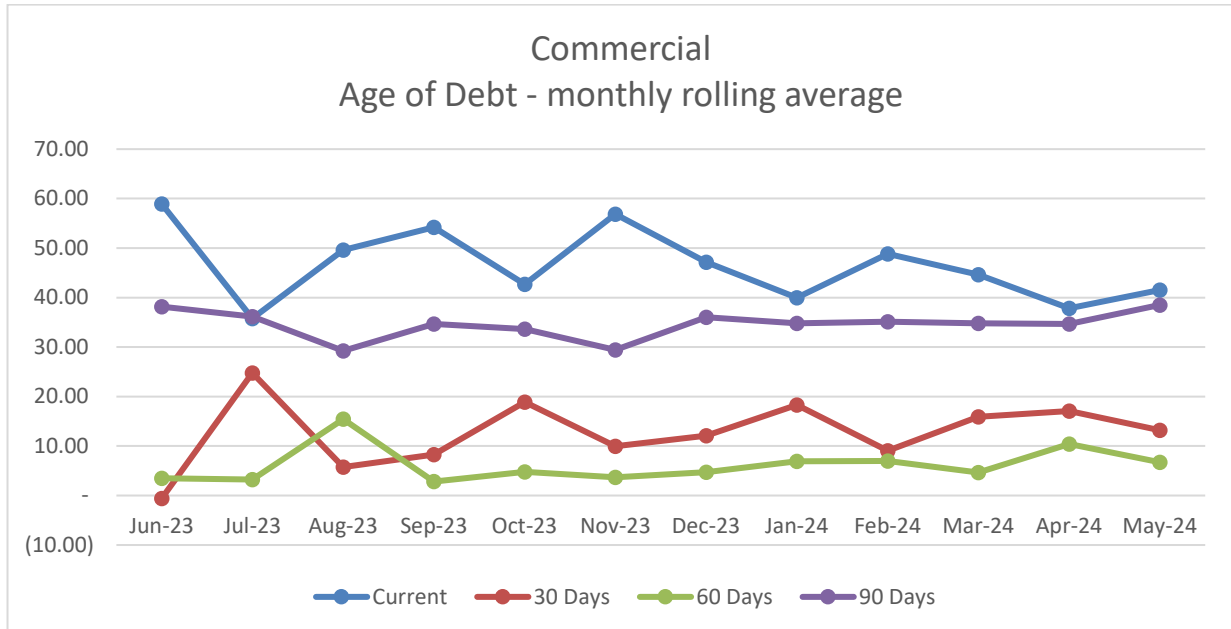
Age of Debt

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

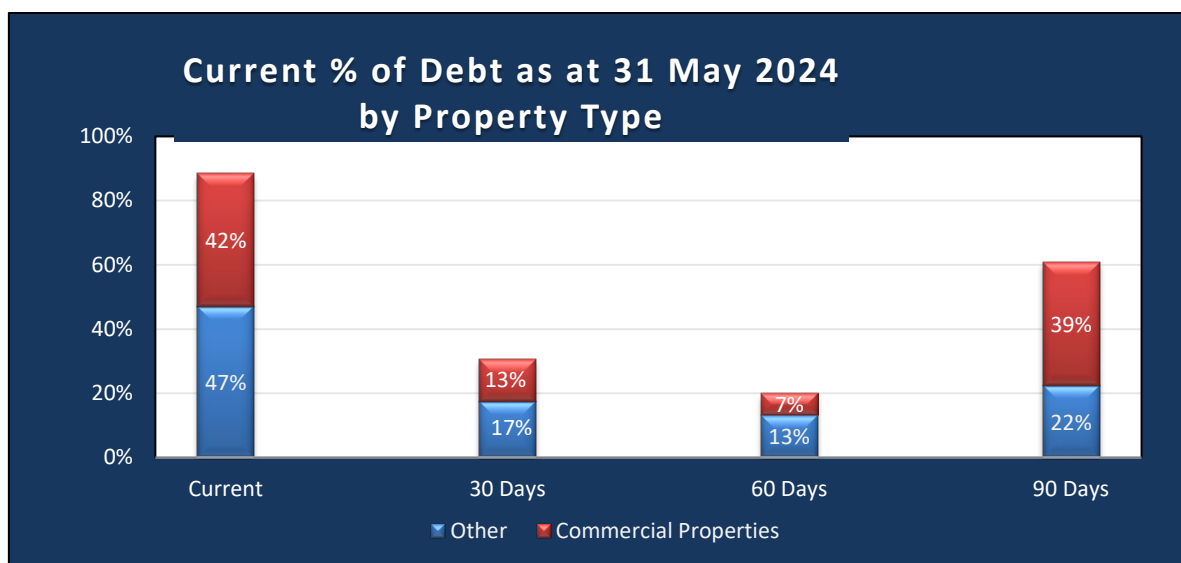
As per the monthly rolling average chart for commercial, the portion of debt that is current was 42% as at May 2024. The portion of debt that is over 90 days has remained steady over time but has slightly increased since February 2024. This currently includes debts associated with 2 commercial property debtors carrying a significant portion of the outstanding debt.

This represents a positive trend and indicates an increasing percentage of debt being paid earlier. The portion of debt in the 30-59 days and 60-89 days remained at the lower end.

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



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



Of total debt, Commercial Properties account for 53% (\$243K) of Current debt, and account for 76% of the debt owing 90 days or more (\$322K).

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

Impact of COVID on Commercial Property

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

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

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

To date, of the \$492,579 only \$7,090 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.

Rate Exemption Approvals

Under the provisions of Section 6.26 of the *Local Government Act 1995* the following properties were granted approval for rate exemptions:

- 11 Cottonwood Place, O’Connor PID 11326 – Congregation of the Presentation Sisters WA Inc. – S6.26(2)(d) – place of residence for a sister of religion. - \$437.03 for 2023/2024 Rates. Effective from 26/3/2024.



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

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

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

Cr Mofflin moved the officer's recommendation in two parts, to enable Cr Sullivan to speak and vote in relation to the debtors listing, excluding debtor number 2093428.

OFFICER'S RECOMMENDATION ARMC2406-5
(Part 1)

Moved: Cr Frank Mofflin

Seconded: Mayor Hannah Fitzhardinge

Council receive the Overdue Debtors Report as at 31 May 2024, and the confidential attachment listing overdue debts exceeding 90 days with the combined value, by debtor, exceeding \$10,000 as at 31 May 2024 (excluding debtor number 2093428).

Carried: 5/0

**Mayor Hannah Fitzhardinge, Cr Frank Mofflin,
Cr Andrew Sullivan, Cr Jenny Archibald, Ms Hayley Manser**

Cr Andrew Sullivan declared a financial interest in relation to debtor number 2093428 and left the meeting at 7:21pm for the discussion and voting of this matter.



OFFICER'S RECOMMENDATION ARMC2406-5
(Part 2)

Moved: Cr Frank Mofflin

Seconded: Mayor Hannah Fitzhardinge

Council receive the Overdue Debtors Report as at 31 May 2024, and the confidential attachment listing overdue debts exceeding 90 days with the combined value, by debtor, exceeding \$10,000 as at 31 May 2024 (*for debtor number 2093428*).

Carried: 4/0

**Mayor Hannah Fitzhardinge, Cr Frank Mofflin,
Cr Jenny Archibald, Ms Hayley Manser**

Cr Andrew Sullivan returned to the meeting at 7:23pm.

COMMITTEE RECOMMENDATION ARMC2406-5

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



8.3 Health, Safety and Environment

Nil

8.4 Legal, Reputation and Brand

Nil

9. Motions of which previous notice has been given

Nil

10. Urgent business

Nil

11. Late items

Nil

12. Confidential business

ARMC2406-6 CONFIDENTIAL – WRITE-OFF OUTSTANDING DEBT

Meeting date:	17 June 2024
Responsible officer:	Manager Economy & Commercial
Voting requirements:	Absolute Majority
Attachments:	Nil
Confidential Attachments:	1. Request for Rental Review – Debtor Number 2019979

REASON FOR CONFIDENTIALITY

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

- (2) (e) a matter that if disclosed, would reveal –
 - (i) a trade secret; or
 - (ii) information that has a commercial value to a person; or
 - (iii) information about the business, professional, commercial or financial affairs of a person.
 - (iv) Where the trade secret or information is held by, or is about, a person other than local government.



13. Closure

The Presiding Member declared the meeting closed at 7:37pm.