



Minutes

Audit and Risk Management Committee

Wednesday, 21 April 2021, 5.30 pm

Table of Contents

Contents	Page
1. Official opening, welcome and acknowledgement	1
2. Attendance, apologies and leaves of absence	1
2.1. Attendance	1
2.2. Apologies	1
2.3. Leave of absence	1
3. Disclosures of interests by members	1
4. Deputations	1
4.1 Special deputations	1
4.2 Presentations	2
5. Confirmation of minutes	2
6. Elected member communication	2
7. Reports and recommendations	3
ARMC2104-1 ANNUAL FINANCIAL STATEMENTS 30 JUNE 2020	3
ARMC2104-2 ADOPTION OF THE DEBTOR MANAGEMENT POLICY	12
ARMC2104-3 PURCHASING POLICY EXEMPTIONS FEBRUARY 2021 TO MARCH 2021	15
ARMC2104-4 OVERDUE DEBTORS REPORT AS AT 31 MARCH 2021	18
ARMC2104-5 TENDERS AWARDED UNDER DELEGATION FEBRUARY 2021 TO MARCH 2021	26
ARMC2104-6 INFORMATION REPORT – APRIL 2021	28
8. Motions of which previous notice has been given	32
9. Urgent business	32
10. Late items	32
11. Confidential business	32
ARMC2104-7 RISK REPORT – APRIL 2021	32
12. Closure	33

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 **Wednesday, 21 April 2021** at 5.30 pm.

1. Official opening, welcome and acknowledgement

The Presiding Member declared the meeting open at 5.30 pm.

2. Attendance, apologies and leaves of absence

2.1. Attendance

Cr Adin Lang	Presiding Member/City Ward
Cr Frank Mofflin	Deputy Presiding Member/Hilton Ward
Cr Doug Thompson	North Ward (<i>arrived 5:33pm</i>)
Cr Marija Vujcic	South Ward
Cr Jenny Archibald	East Ward
Cr Su Groome	East Ward
Mr Phillip Draber	External Advisor
Mr Glen Dougall	Director City Business
Mr Graham Tattersall	Director Infrastructure
Ms Emma Aiberti	Acting Manager Finance
Ms Charlie Clarke	Manager Governance
Ms Anne-Marie Bartlett	Meeting Support Officer

2.2. Apologies

Cr Hannah Fitzhardinge
Cr Andrew Sullivan

2.3. Leave of absence

Nil

3. Disclosures of interests by members

Nil

4. Deputations

4.1 Special deputations

Nil

4.2 Presentations

Nil

5. Confirmation of minutes

COMMITTEE DECISION

Moved: Cr Adin Lang

Seconded: Cr Frank Mofflin

The Audit and Risk Management Committee confirm the minutes of the Audit and Risk Management Committee meeting dated 17 February 2021.

Carried: 5/1

For:

Cr Adin Lang, Cr Frank Mofflin,
Cr Jenny Archibald, Cr Su Groome, Mr Phillip Draber

Against:

Cr Marija Vujcic

6. Elected member communication

Nil

Cr Doug Thompson arrived at 5.33 pm prior to consideration of the following item.

7. Reports and recommendations

ARMC2104-1 ANNUAL FINANCIAL STATEMENTS 30 JUNE 2020

Meeting date:	21 April 2021
Responsible officer:	Manager Finance
Decision making authority:	Council
Attachments:	<ol style="list-style-type: none">1. Independent auditor's report for the year ending 30 June 20202. Audited financial report with full set of financial statements for year ending 30 June 20203. Final Management Report – Office of the Auditor General for period 1 July to 30 June 2020 (<i>confidential attachment under separate cover</i>)
Additional information:	<ol style="list-style-type: none">1. Annual Financial Audit Exit Brief year ended 30 June 2020 (<i>confidential attachment under separate cover</i>)

SUMMARY

The audit of the City of Fremantle annual financial statements for the year ending 30 June 2020 has been completed by the Office of the Auditor General (OAG) with Council being provided with an independent auditor's report.

The City has received an unqualified audit report. In the opinion of the Auditor General the financial report of the City of Fremantle fairly represents the results of the operation of the City and its financial position for the year ending 30 June 2020.

This report recommends that the independent auditor's report be received and the audited financial report with full set of financial statements for the financial year ending 30 June 2020 be adopted.

BACKGROUND

The OAG audited the annual financial statements for the year ending 30 June 2020 and have provided an independent report as required under the relevant provisions of the *Local Government Act 1995* (the Act). The audit work was performed directly by the OAG.

The OAG provided the City with its Audit Planning Summary which outlines the audit strategy for the 2020 financial audit of the City of Fremantle on 31 March 2020.

The audit exit meeting took place on 18 March 2021 attended by Efthalia Samaras and Katie MacLachlan from the Office of the Auditor General, City of Fremantle Chair of the Audit and Risk Management Committee, Chief Executive Officer and Director City Business. At this meeting the Annual Financial Audit Exit Brief was discussed.

This report is attached for the Committee's review as a confidential attachment. The key outcomes are:

- Audit team to recommend to the Auditor General to issue an unqualified audit opinion on the audit of the City's financial statements
- Noted a significant adverse trend in the Debt Service Cover Ratio and the Operating Surplus Ratio which are below the Department Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years
- Identified two matters indicating non-compliance with legislation as the financial controls require enhancement were noted during the audit
- Summary of the key issues identified during the interim and final audit. The detailed audit findings and recommendations arising from the interim audit were reported to the Audit and Risk Management Committee on 10 November 2020. Audit findings arising from the final audit are contained in this report.

In accordance with section 7.12A(2) of the Act and the *Local Government (Audit) Regulations 1997*, Council is required to meet with the external auditor at least once per year. Council has delegated to the Audit and Risk Management Committee the power to meet with the external auditor in accordance with the provisions of the Act. This matter was also discussed during the exit meeting and the next meeting will be finalised as part of the interim audit process around May, 2021.

FINANCIAL IMPLICATIONS

For year ending 30 June, 2020, the closing balance as per the rate setting statement (cash position) was a surplus of \$3,562,677. Below is a reconciliation of the allocation of the end of year surplus.

Details	Amount	Total	Balance Available
Surplus at end of year 30 June 2020			\$3,562,677
<i>Less: Carried Forward Projects</i>			
Unspent loan funds at 30 June	(\$591,826)		
Unspent municipal funds carried forward at 30 June	(\$1,393,183)	(\$1,985,009)	\$1,577,668
<i>Less: Allocated Projects during 2020-21</i>			

OCM 23 September 2020 WAFL Grand Final at Fremantle Oval on the 4 th October	(\$27,583)		
OCM 27 January 2021 - P-11970 - Design and Construct – Northbank Foreshore Stabilisation Project (Stage 2)	(\$14,202)		
OCM 24 March 2021 - Mid-year Budget Review	(\$1,535,883)	(\$1,577,668)	Nil

The following table provides a high-level summary of Council’s financial performance for year ending 30 June 2020.

Description	Adopted Budget 2019-20	Amended Budget 2019-20	Actual at 30 June 2020	Variance (Amended Budget to Actual)
	\$M	\$M	\$M	\$M
Opening Surplus	1.94	3.76	3.76	0.00
OPERATING BUDGET				
Rate Revenue	46.81	46.88	46.80	(0.08)
Revenue	29.70	23.58	26.33	2.75
Expenses	(86.08)	(79.67)	(86.00)	(6.33)
Non-Cash Adj (written back)	14.11	12.43	18.87	6.44
	4.54	3.22	6.00	2.78
CAPITAL PROJECTS				
Revenue	11.61	19.04	6.83	(12.21)
Expenses	(56.63)	(63.61)	(30.73)	32.88
Financing	18.31	18.31	17.59	(0.72)
Reserve Transfers	20.23	19.28	0.11	(19.17)
	(6.48)	(6.98)	(6.20)	0.78
Closing Surplus	0.00	0.00	3.56	3.56

During the 2019-20 financial year due to the financial consequences of COVID-19 a forecast position as at 30 June 2020 was presented to Council on 29 April 2020. Given that approximately 35 per cent of the City’s operating revenue is derived from non-rate or grant sources, it was estimated the City could potentially lose up to \$6.2 million of revenue between April and June 2020. The estimated loss of revenue led to a review of service levels to reduce operating costs and postpone non-essential works with the intent of balancing the 2019-20 budget. The end of year cash surplus position resulted mainly due to partial operating revenue returning earlier than expected as COVID restrictions lifted, whilst maintaining a hold on operating costs.

LEGAL IMPLICATIONS

Section 7.12AD of the *Local Government Act 1995* states that,

- (1) the auditor must prepare and sign a report on a financial audit.

- (2) The auditor must give the report to -
- a) the mayor, president or chairperson of the local government; and
 - b) the CEO of the local government; and
 - c) The Minister.

CONSULTATION

Nil

OFFICER COMMENT

Council has completed its annual financial statements for the year ended 30 June 2020 and received an unqualified audit report. The Auditor General has issued an independent auditors report.

In the opinion of the Auditor General the annual financial report of the City:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Contained within the audit report the independent auditor reported on the following other legal and regulatory requirements:

- i. The Debt Service Cover Ratio and the Operating Surplus Ratio as reported in Note 36 of the annual financial report have been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard the last three financial years which in their opinion indicates a significant adverse trend.
- ii. Matters indicating non-compliance with legislation as the financial controls require enhancement which were noted during the audit:
 - a. Accounting journal entries were prepared and posted by one employee.
 - b. Supplier master file controls require enhancement.

The DLGSCI operational guideline 18 on financial ratios defines the debt service cover ratio as a measure of a local government's ability to service its debt, that is to produce enough cash to cover its debt payments. The guideline sets the basic standard as met with a ratio result between 2 and 5. An advanced standard is met with a ratio result above 5. The ratio results for the last 3 years have been:

Audit Results	2020 Actual	2019 Actual	2018 Actual
Debt Service Ratio	(2.46)	0.99	0.57

The DLGSCI operational guideline 18 on financial ratios defines the operating surplus ratio as a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. The guideline sets the basic standard as met with a ratio result between 0.01 and 0.15. An advanced standard is met with a ratio result above 0.15. The ratio results for the last 3 years have been:

Audit Results	2020 Actual	2019 Actual	2018 Actual
Operating Surplus Ratio	(0.19)	(0.08)	(0.02)

The reported ratios present as an adverse trend however included in these calculations are significant non-cash book entries which are accounted for as an operating expense for Australia Accounting Standard (AAS) purposes. These non-cash items do not have an impact on the cash surplus at end of financial year, however they do have an impact on the ratios calculations as required by the Accounting Standards.

For year ending 30 June 2020 an additional \$13.2m and for year ending 30 June 2019 an additional \$4m in one-off non-cash operating expenditure were included which reduced the overall net results.

At 30 June 2020 the \$13.2m consisted of:

- Loss on sale of assets \$6.8m
- Fair value adjustments in investment property \$6.4m

ASSET DESC	LOSS
Assets written off as not belonging to CoF	
Surf Life Saving Club 20 Leighton Beach Blvd North Fremantle	4,518,000
Elder PI Public Toilets	352,000
	<u>4,870,000</u>
Assets demolished	
Children Services Centre 9-15 Quarry St Fremantle	846,786
	<u>846,786</u>
FERN 26 Montreal Street Fremantle	163,099
	<u>163,099</u>
Bowling Club Green Keeper Shed Ellen St Fremantle	452,497
Old Mens Shed	109,279
Hilton Child Health Centre 3/34 Paget St Hilton	391,224
Scoreboard & Storeroom Stevens Reserve Swanbourne St Fremantle	8,992
	<u>961,992</u>
TOTAL	<u>6,841,877</u>

At 30 June 2019 the \$4m consisted of:

- Loss on sale of assets \$2.43m - Sale of Tapper St Mews

- Fair value adjustments to assets held for resale \$1.57m – 12 Holdsworth St and 12 Josephson St

A recalculation of the ratios excluding the above one-off non-cash items resulted in both ratios falling within DLGSCI standards for 30 June 2020 and the debt service ratio within standards for 30 June 2019. Further the trend for each ratio shows an improvement rather than an adverse trend. The recalculated debt service ratio and operating surplus ratio are:

Results after one-off adjustments	2020 Actual	2019 Actual
Debt Service Ratio	3.32	2.89
<i>DLGSCI standard between 2 - 5</i>	✓	✓
Operating Surplus Ratio	0.005	(0.02)
<i>DLGSCI standard between 0.01 – 0.15</i>	✓	✗

The two non-compliance matters that were reported during the interim audit as significant findings and presented to the Audit and Risk Management Committee on 10 November 2020 were related to the following financial controls:

- Accounting journal entries were prepared and posted by one employee.
- Supplier master file controls require enhancement.

These actions have since been reviewed and amended meet required controls as recommended by OAG.

The final management letter documented 5 findings in relation to the final audit for the year ending 30 June 2020 which are summarised below:

Index of findings	Rating		
	Significant	Moderate	Minor
1. Purchase card transactions		✓	
2. Asset impairment and review of useful life		✓	
3. Procedures for identifying leases		✓	
4. Capital works in progress		✓	
5. Review of creditor reconciliation			✓

Key to ratings

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

- Significant** Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** Those findings that are not of primary concern but still warrant action being taken.

Full details of the above findings, implications, recommendation and management comment are provided with the OAG findings and can be reviewed in the attached Final Management Letter.

The attached financial statements and auditors report will be provided within the annual report and presented to council in the May round of meetings.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

OFFICER'S RECOMMENDATION

Moved: Mr Phillip Draber

Seconded: Cr Jenny Archibald

Council:

- 1. Note the Independent Auditor's Report as provided in attachment 1, issued by the Auditor General for the financial year ending 30 June 2020 which will be provided in the City of Fremantle Annual Report for 30 June, 2020.**
- 2. Note the Audited Financial Report with full set of financial statements as provided in attachment 2, for the City of Fremantle for the financial year ending 30 June 2020 which will be provided in the City of Fremantle Annual Report for June 30, 2020.**
- 3. Receive the Final Management Report from Office of Auditor General for year ending 30 June 2020.**

AMENDMENT

Moved: Cr Doug Thompson

Seconded: Cr Adin Lang

Add a part 4 to read as follows:

Council:

1. Note the Independent Auditor's Report as provided in attachment 1, issued by the Auditor General for the financial year ending 30 June 2020 which will be provided in the City of Fremantle Annual Report for 30 June, 2020.
2. Note the Audited Financial Report with full set of financial statements as provided in attachment 2, for the City of Fremantle for the financial year ending 30 June 2020 which will be provided in the City of Fremantle Annual Report for June 30, 2020.
3. Receive the Final Management Report from Office of Auditor General for year ending 30 June 2020.
4. Request a report be brought to the next Audit and Risk Management Committee addressing the questions raised at the meeting.

Amendment carried: 7/0

Cr Adin Lang, Cr Frank Mofflin, Cr Doug Thompson,
Cr Marija Vujcic, Cr Jenny Archibald, Cr Su Groome, Mr Phillip Draber

COMMITTEE RECOMMENDATION ITEM ARMC2104-1 (Amended officer's recommendation)

Moved: Cr Doug Thompson

Seconded: Cr Adin Lang

Council:

1. Note the Independent Auditor's Report as provided in attachment 1, issued by the Auditor General for the financial year ending 30 June 2020 which will be provided in the City of Fremantle Annual Report for 30 June, 2020.
2. Note the Audited Financial Report with full set of financial statements as provided in attachment 2, for the City of Fremantle for the financial year ending 30 June 2020 which will be provided in the City of Fremantle Annual Report for June 30, 2020.
3. Receive the Final Management Report from Office of Auditor General for year ending 30 June 2020.

- 4. *Request a report be brought to the next Audit and Risk Management Committee addressing the questions raised at the meeting.***

Carried: 7/0

**Cr Adin Lang, Cr Frank Mofflin, Cr Doug Thompson,
Cr Marija Vujcic, Cr Jenny Archibald, Cr Su Groome, Mr Phillip Draber**

ARMC2104-2 ADOPTION OF THE DEBTOR MANAGEMENT POLICY

Meeting date:	21 April 2021
Responsible officer:	Manager Finance
Decision making authority:	Council
Attachments:	1. Debtor Management Policy
Additional information:	Nil

SUMMARY

The purpose of Council's Debtor Management Policy is to establish a framework for efficient and effective management and collection of outstanding debtor amounts owed to the City of Fremantle. It will ensure and guide a fair, consistent and accountable approach to debtor management and debt recovery undertaken by both City officers and its contracted agents.

The Policy provides guiding principles for the management of credit control and clarifies the circumstances for the writing-off of unrecoverable or bad debts owed to Council by debtors. The Policy applies to those circumstances where the City provides goods, services or statutory approvals on credit and for the collection of outstanding rates, charges and infringements or commercial transaction/agreements. Adoption of the Policy will ensure that the City is achieving best practice with regards to debtor management.

This report recommends that Council adopt the Debtor Management Policy, as provided in attachment 1.

BACKGROUND

Debtor management is an essential element of the City's overall budget monitoring and control strategy. Rates, fees and charges account for a considerable percentage of the total operating income of Council. Ineffective collection of this revenue has the potential to negatively impact on Council's cash flow.

Currently to assist Council to oversee debtor management the Audit and Risk Management Committee receive a quarterly report on overdue debtors which includes performance reporting, details of significant outstanding debtors and use of delegated authority to waive or write off debts.

The introduction and adoption of a Debtor Management Policy will contribute further to Council's oversight of debtor management by providing direction to ensure that an appropriate collection procedure is in place so that debtor management is undertaken in an efficient and community conscious manner.

FINANCIAL IMPLICATIONS

The proposed policy will provide guidance on how the organisation complies with statutory requirements, improve the quality of governance arrangements across the City and adhere to the *Local Government Act 1995* and associated Regulations.

This policy may result in a financial cost by way of write-off to the City, offset by the community benefit of the goods or services provided by the individual or organisation. Officers will identify the actual cost involved and all individual amounts in excess of \$1,000 will be reported to the Audit and Risk Committee of Council.

LEGAL IMPLICATIONS

Regulation 5 of the *Local Government (Financial Management) Regulations 1996* outlines the CEO's duties as to financial management of the local government which includes: -

- (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;

CONSULTATION

No community consultation was undertaken as a result of this report.

OFFICER COMMENT

The management of debtors and collection of debt within Council encompasses rate and other debtors.

- Rate debtors – except where a ratepayer is entitled to defer the payment of their rates, Council will actively pursue the recovery of rates arrears as specified in the *Local Government Act 1995*.
- Other debtors – cover a variety of services areas across Council such as Commercial Property, Waste, Parking, Infringements etc.

The City's informal debtor management procedures have been formalised with the attached Policy which has been developed to provide general principles for the ethical and effective management of City debtors. It also provides clarity with regard to how the City of Fremantle will carry out debt recovery in a fair and equitable manner.

The Policy will ensure:

- A fair, consistent and accountable approach to Council's debtor management and collection decisions and practices.
- Support timely collection of all monies owing to the City for the purpose of optimising cash flow and reducing bad debt write offs.
- Reasonable efforts are made to recover aged debts, some of which, for practical purposes, will have to be written off.
- Potential bad debts are identified early, with an appropriate provision for doubtful debts are accounted for on the balance sheet.
- Consistent processes of the recovery of outstanding debt are simple to administer, cost effective and compliant with all regulatory requirements

under the *Local Government Act 1995* and in accord with the ACCC-ASIC Debt Collection Guideline for Collectors and Creditors.

- Officers understand their responsibilities in dealing with City debtors in accordance with Council's expectation.

The Policy supports the City of Fremantle Strategic Community Plan 2015–25 Theme:

Capability “An innovative, responsive, influential local government which leads the way in delivering services and projects through good governance, effective communication, responsible management and excellence in delivery.

- Strengthen the City's financial resilience
- Implement appropriate reporting measures for financial resilience

Effective control of credit and identifying prospective credit risk significantly reduces risk associated with financial loss, reputational damage and other negative repercussions.

VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ITEM ARMC2104-2 **(Officer's recommendation)**

Moved: Cr Doug Thompson

Seconded: Cr Frank Mofflin

Council adopt the Debtor Management Policy, as provided in attachment 1.

Carried: 7/0

**Cr Adin Lang, Cr Frank Mofflin, Cr Doug Thompson,
Cr Marija Vujcic, Cr Jenny Archibald, Cr Su Groome, Mr Phillip Draber**

ARMC2104-3 PURCHASING POLICY EXEMPTIONS FEBRUARY 2021 TO MARCH 2021

Meeting date:	21 April 2021
Responsible officer:	Manager Finance
Decision making authority:	Council
Attachments:	1. Purchasing Policy Exemption Details November 2020 to January 2021 (<i>confidential attachment under separate cover</i>)
Additional information:	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 February 2021 to March 2021.

This report recommends that Council receive the Purchasing Policy Exemptions report for February 2021 to March 2021.

BACKGROUND

At the Ordinary Council Meeting of 25 November 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

February 2021

The total value of spending exempt from the City of Fremantle Purchasing Policy was \$34,000.00 for the month of February 2021.

The value of exemptions by category is:

Exemption Category	Value
Specialist Consultancy Exemptions	\$20,000.00
Artist Exemptions	\$14,000.00
Total	\$34,000.00

The process for requesting Artist exemptions was amended to require exemptions before contracts or Purchase orders are awarded. This has resulted in artistic fees required for the Deadly Funny Indigenous Stand-Up Show and Wardanji, being agreed and paid for in advance. All costs were budgeted and approved at the 8 July 2020 special Council meeting.

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

March 2021

The total value of spending exempt from the City of Fremantle Purchasing Policy was \$130,816.00 for the month of March 2021.

The value of exemptions by category is:

Exemption Category	Value
Artist Exemptions	\$83,945.00
Specialist Consultancy Exemptions	\$46,871.00
Total	\$130,816.00

The process for requesting Artist exemptions was amended to require exemptions before contracts or Purchase orders are awarded. This has resulted in artistic fees required for the Revealed Art Workshops, being agreed and paid for in advance. Note: Fees for Revealed are paid for by Department of Local Government, Sport and Cultural Industries by grant. Any additional funds were budgeted and approved at the 8 July 2020 special Council meeting.

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

VOTING AND OTHER SPECIAL REQUIREMENTS

Information only no decision required

COMMITTEE RECOMMENDATION ITEM ARMC2104-3
(Officer's recommendation)

Moved: Cr Jenny Archibald

Seconded: Cr Doug Thompson

Council receive the information report for purchasing policy exemptions for the period February 2021 to March 2021 inclusive.

Carried: 7/0

**Cr Adin Lang, Cr Frank Mofflin, Cr Doug Thompson,
Cr Marija Vujcic, Cr Jenny Archibald, Cr Su Groome, Mr Phillip Draber**

ARMC2104-4 OVERDUE DEBTORS REPORT AS AT 31 MARCH 2021

Meeting date:	21 April 2021
Responsible officer:	Manager Finance
Decision making authority:	Council
Attachments:	1. Summary of Overdue Debts above Threshold (<i>confidential attachment under separate cover</i>)
Additional information:	Nil

SUMMARY

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

This report recommends that Council receive the overdue debtors report and acknowledge the overdue debts exceeding ninety (90) days with the combined value exceeding \$10,000 as at 31 March 2021.

BACKGROUND

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

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

FINANCIAL IMPLICATIONS

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

As at year ending 30 June 2020 an amount of \$584,675 was held as an allowance for impairment of receivables. As at the 31 March 2021 the current allowance held as impairment is \$27,610 with \$557,065 being written off to date.

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

Total Write-offs	\$92 GST Exempt
Total Waivers	<u>\$556,973</u> + GST
	\$ 557,065

Since the last report, 9 occurrences of delegated authority to waive or write off debts valued at \$1,000 or above per debtor by officers has occurred. Currently \$156,029 has been identified for potential write-off/waiver.

Summary of Sundry Debtor's Debts Written-off

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

Summary of Rates Debtors Debts Written-off

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

Summary of Sundry Debtor's Debts Waived

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
2092471	Bird Books Pty Ltd	10,550	Commercial Property 2019/20 & 2020/21	Director - City Business
2093091	Jina Lee	3,039	Commercial Property 2019/20 & 2020/21	
2090107	Fremantle Arts Centre Café	8,514	Commercial Property 2019/20 & 2020/21	
2090138	Moore & Moore Food & Drink	11,745	Commercial Property 2019/20 & 2020/21	
2090834	David Giles Art Gallery	5,893	Commercial Property 2019/20 & 2020/21	
2090700	Mr Glen Martin Cowans	5,018	Commercial Property 2019/20 & 2020/21	
2019979	The Italian Club Fremantle	4,549	Commercial Property 2019/20	
2090779	Van Thang Doan	8,370	Commercial Property 2019/20	
2092434	Coolchest Pty Ltd	11,470	Commercial Property 2019/20	

Debtor No.	Name	Amount	Business Unit	Delegated Officer or Council
2090054	Royal Fremantle Golf Course Pty Ltd	10,546	Commercial Property 2019/20	
2090062	Fremantle Markets Pty Ltd	76,435	Commercial Property 2019/20	Chief Executive Officer
2092551	Beach Partnerships T/A COAST Port Beach	62,145	Commercial Property 2019/20	Chief Executive Officer
2090010	Clancy's Fish Pub	20,608	Commercial Property 2019/20	
2090484	Gino's Café Pty Ltd	51,750	Commercial Property 2019/20	
2093041	Sierra Orenda Pty Ltd	24,893	Commercial Property 2019/20	
2090061	Dome Fremantle	65,969	Commercial Property 2019/20	
2091161	Australian Touristic Attractions Pty Ltd	20,735	Commercial Property 2019/20	
2092866	George Ricca Enterprises Pty Ltd	3,781	Commercial Property 2019/20	Manager Economic Development and Marketing
2093116	Rose Megirian	2,493	Commercial Property 2019/20	
2092140	Rebecca Michelle Baumann	1,535	Commercial Property 2019/20	
2092471	Bird Books Pty Ltd	2,083	Commercial Property 2019/20	
2090107	Fremantle Arts Centre Café	1,681	Commercial Property 2019/20	
2090138	Moore & Moore Food & Drink	2,319	Commercial Property 2019/20	
2090834	David Giles Art Gallery	1,164	Commercial Property 2019/20	
2090024	Port Jarrah Furniture Fremantle Gallery	20,765	Commercial Property 2019/20 & 2020/21	Chief Executive Officer
2090028	Tom Edward Fay	6,247	Commercial Property 2019/20 & 2020/21	
2090042	Bakpak Freo Pty Ltd	56,542	Commercial Property 2019/20 & 2020/21	
2090061	Dome Fremantle	14,992	Commercial Property 2020/21	
2090138	Moore & Moore Food & Drink	6,226	Commercial Property 2019/20 & 2020/21	
2092095	Art on the Move	7,621	Commercial Property 2020/21	
2092551	Beach Partnerships T/A COAST Port Beach	23,057	Commercial Property 2019/20 & 2020/21	Manager Economic Development and Marketing
2092836	Tanya Schultz	2,102	Commercial Property 2019/20 & 2020/21	
Various	Less than reporting threshold	2,135	Various	Various under Delegation
	TOTAL	556,973		

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

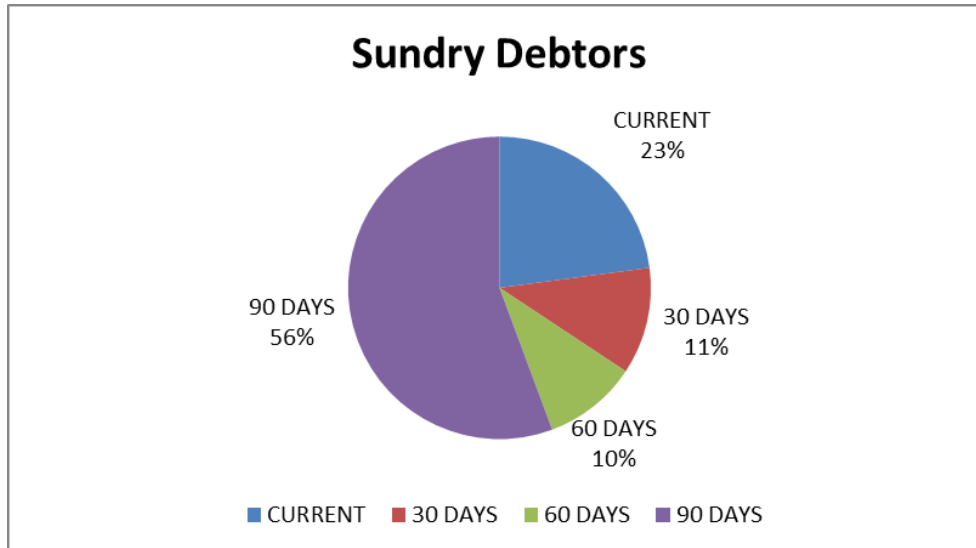
Nil

OFFICER COMMENT

The total of debtors outstanding as at 31 March 2021 is \$1,057,628. 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 20 – March 21	23%	11%	10%	56%	100%
	241,935	120,932	106,088	588,673	1,057,628
July 20 – March 21 Excl. Commercial Properties	25%	13%	13%	49%	100%
	133,706	70,099	66,157	255,142	525,104
July 19 – March 20	551,399	292,590	27,409	115,325	986,723

Of the total debt balance, the amount outstanding for 90+ days is 588,673 or 56%. Below is a graph of the aged debt balances as at 31 March 2021.



Compared to the report of overdue debtors as at 31 December 2020, presented to Audit and Risk Management Committee at the 17 February 2021 meeting, the total value of outstanding debtors has decreased by 431k.

Outstanding debt over 90 days has decreased from 720k at the end of the previous quarter to 589k. The number of overdue debtors above reporting threshold is 15 with a total value of 520,793.

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 520,793 of outstanding debtors exceeding 90 days with a combined value exceeding 10,000 with comments and background.

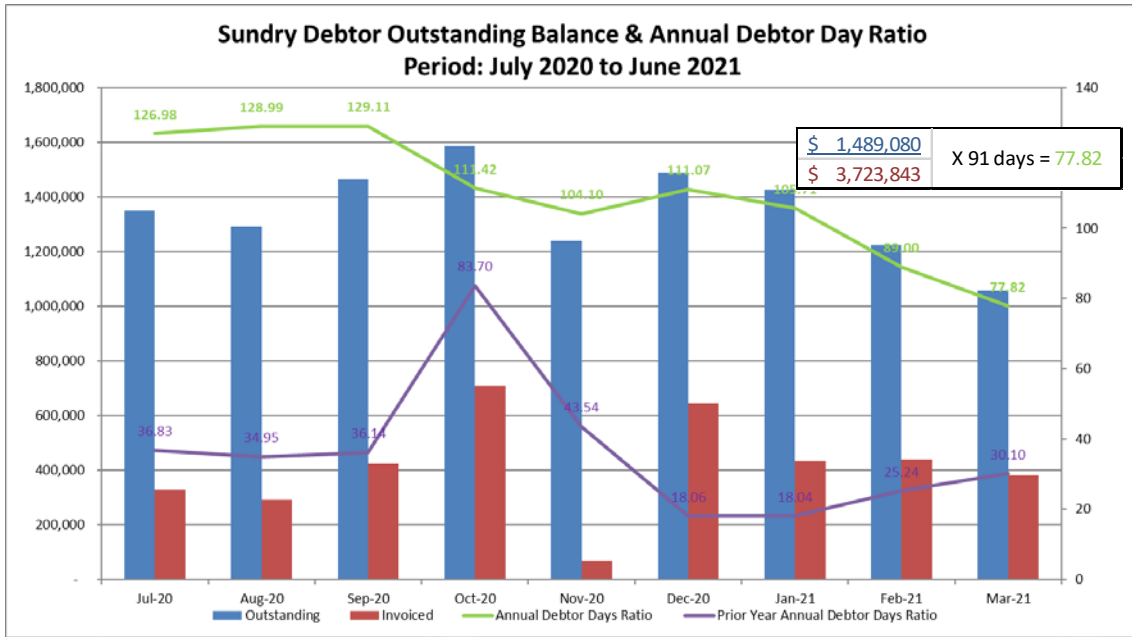
Debtors Outstanding

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

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

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

At July 2020, 1,067,654 of invoices raised in 2019/20 were outstanding resulting in outstanding debt exceeding the amount invoiced during July 2020. Identified write-offs/waivers amounted to 557k and have resulted primarily from the City's commercially leased properties.



At reporting date, the debtor day ratio was 77.82 a decrease from the prior reporting period. Of outstanding debt, 23% 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%

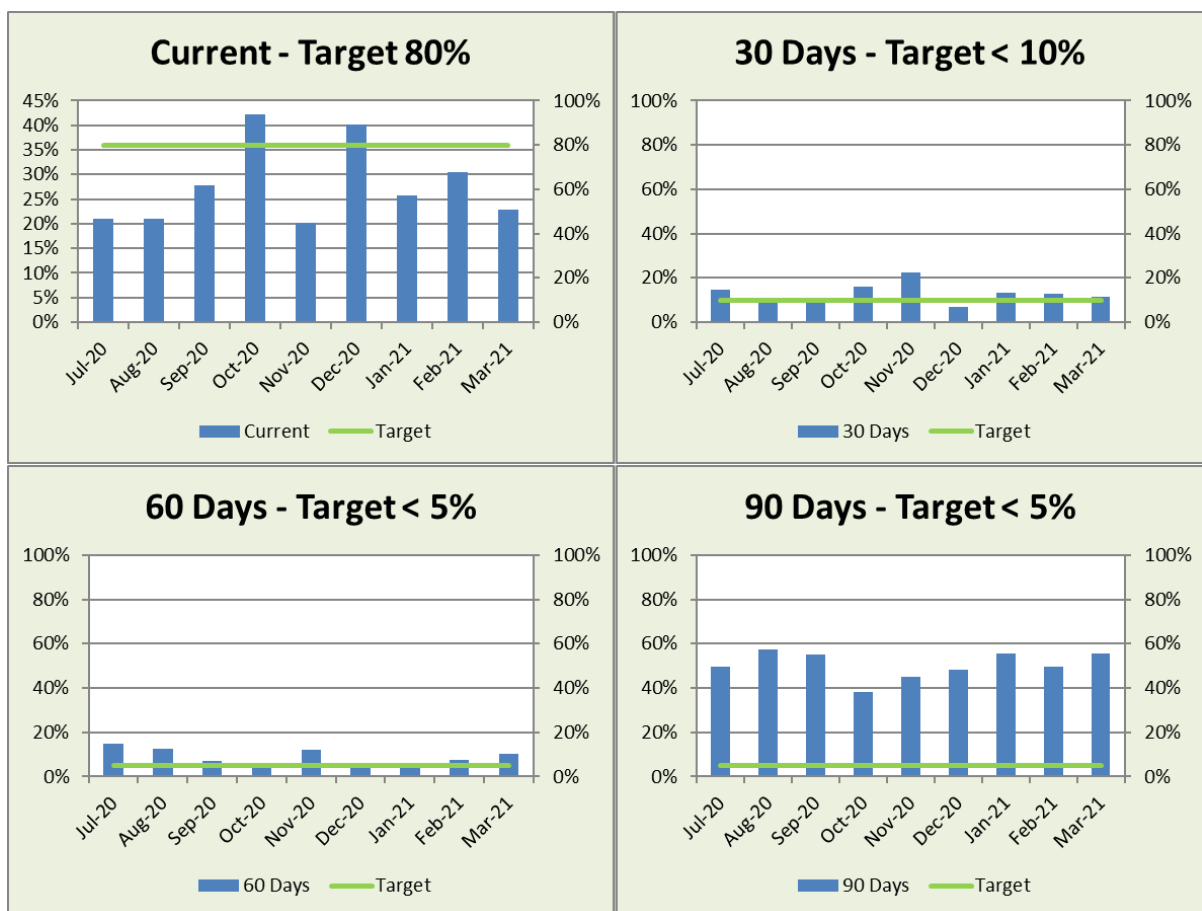
Qtr 3 - July 2020 to March 2021				
Aged Debt Category	Current	30 Days	60 Days	90 Days
Target	80%	10%	5%	5%
Value	241,935	120,932	106,088	588,673
Percentage	25.46%	13.35%	12.60%	48.59%
Performance				
	Target achieved		Target exceeded	

Category	Commercial Properties	Others
Current	20%	25%
30 Days	13%	10%
60 Days	13%	7%
90 Days	63%	49%

Of total overdue debt, Commercial Properties account for 57% (334k). Six Commercial Property debtors account for 245k of invoices overdue for more than 90 days. Payment arrangements had been agreed however due to COVID-19 and the adoption of the Commercial Tenancies (COVID-19) Response Act 2020, City officers are liaising with all tenants to provide assistance as appropriate.

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

Summary by total debtors by days



Summary by debtor type by days



VOTING AND OTHER SPECIAL REQUIREMENTS

Simple majority required

COMMITTEE RECOMMENDATION ITEM ARMC2104-4
(Officer’s recommendation)

Moved: Mr Phillip Draber

Seconded: Cr Doug Thompson

Council receive the overdue debtors report and acknowledge the overdue debts exceeding ninety (90) days with the combined value exceeding 10,000 as at 31 March 2021.

Carried: 7/0

**Cr Adin Lang, Cr Frank Mofflin, Cr Doug Thompson,
Cr Marija Vujcic, Cr Jenny Archibald, Cr Su Groome, Mr Phillip Draber**

***The confidential attachment for this item has been corrected and was distributed before the meeting. The correct version will be attached when the item goes to Council.**

ARMC2104-5 TENDERS AWARDED UNDER DELEGATION FEBRUARY 2021 TO MARCH 2021

Meeting date: 21 April 2021
Responsible officer: Manager Finance
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 February 2021 to March 2021.

This report recommends that Council receive the report on tenders awarded under delegation between February 2021 and March 2021.

BACKGROUND

Tenders awarded by the City are awarded under the following delegations, approved at Council on 8 July 2020:

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 budget approved at Council on 8 July 2020.

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 or the City's Delegated Authority Register, 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 February 2021 and March 2021.

February 2021

Tender Description	Awarded By	Contractor(s)	Contract Value
N/A	N/A	N/A	N/A

March 2021

Tender Description	Awarded By	Contractor(s)	Contract Value
FCC565/20 Arthur Head Remedial Works	FPOL (10 March 2021)	Colgan Industries Pty Ltd	\$799,911.75 (ex GST)

VOTING AND OTHER SPECIAL REQUIREMENTS

Information only, no decision required.

COMMITTEE RECOMMENDATION ITEM ARMC2104-5 (Officer's recommendation)

Moved: Cr Frank Mofflin

Seconded: Cr Su Groome

Council receive the report on Tenders Awarded under delegation for February 2021 to March 2021.

Carried: 7/0
Cr Adin Lang, Cr Frank Mofflin, Cr Doug Thompson,
Cr Marija Vujcic, Cr Jenny Archibald, Cr Su Groome, Mr Phillip Draber

ARMC2104-6 INFORMATION REPORT – APRIL 2021

STATUS REPORT OF COUNCIL MOTIONS – 1 JANUARY 2021 TO 28 FEBRUARY 2021

Responsible officer:	Manager Governance
Attachments:	1. Status Report of Council motions – 1 January 2021 to 28 February 2021
Additional information:	Nil

Best practice principles support the recording and reporting of actions taken on Council decisions to ensure they are implemented, and that the actions are completed in a timely manner.

Where possible, Council decisions are actioned as soon as practicable after a Council meeting; however, there are projects or circumstances that mean some decisions take longer to implement than others. The City keeps a register of all final decisions made at Council and Committee meetings.

The City's motions 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 how the actions included in the plan are implemented, only that the plan was adopted appropriately.

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

Part 1. Motions incomplete and ongoing in reporting period

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

Part 2. Development Application motions completed in reporting period

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

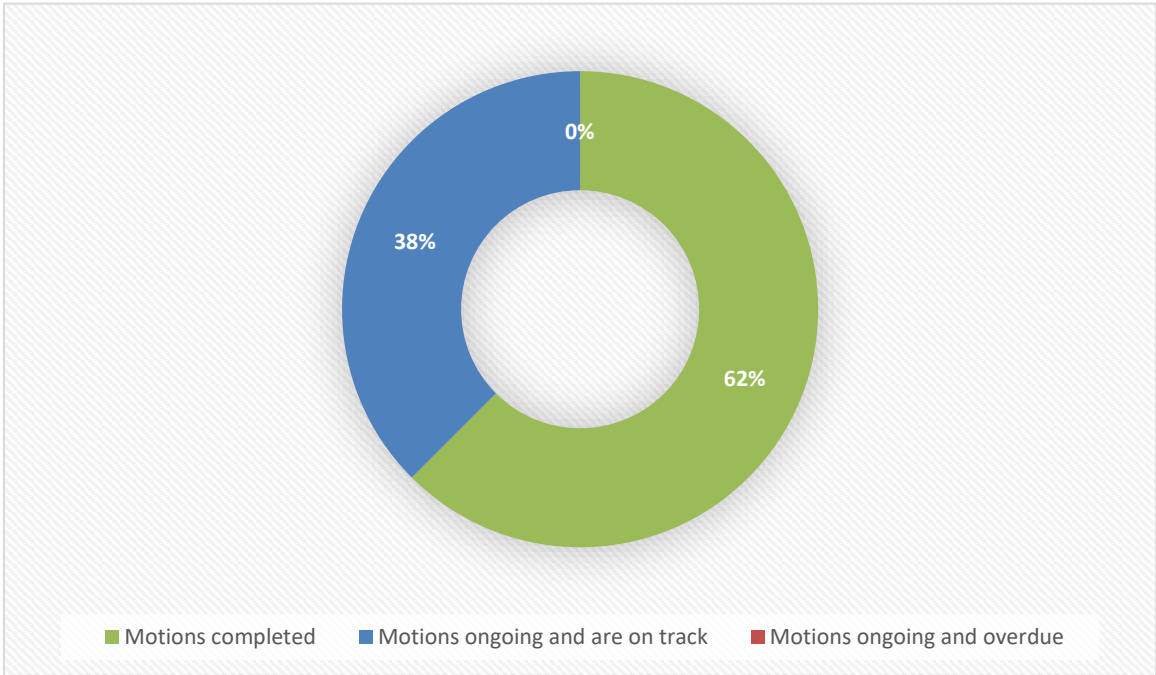
Part 3. Motions other than DA's completed in reporting period

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

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

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

Motion activity since last report



Motions	Number
Number of motions from previous report	32
Number of motions added to the register since the last report	56
Motions that have been completed in the reporting period	55
Motions that are ongoing, and are on track	33
Motions that are ongoing, and have exceeded estimated completion date	0
Motions with estimated completion dates amended since last report	2
Motions where no update has been received since last report	0
Total motions in this report	88

STATUS REPORT OF AUDIT ACTIONS TO 31 MARCH 2021

Responsible officer: Manager Governance
Attachments: 1. Audit actions progress report to 31 March 2021
Additional information: Nil

This report presents the City’s central register that captures the progress of all recommended actions agreed to be undertaken by the City as suggested or recommended in an audit or review report.

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

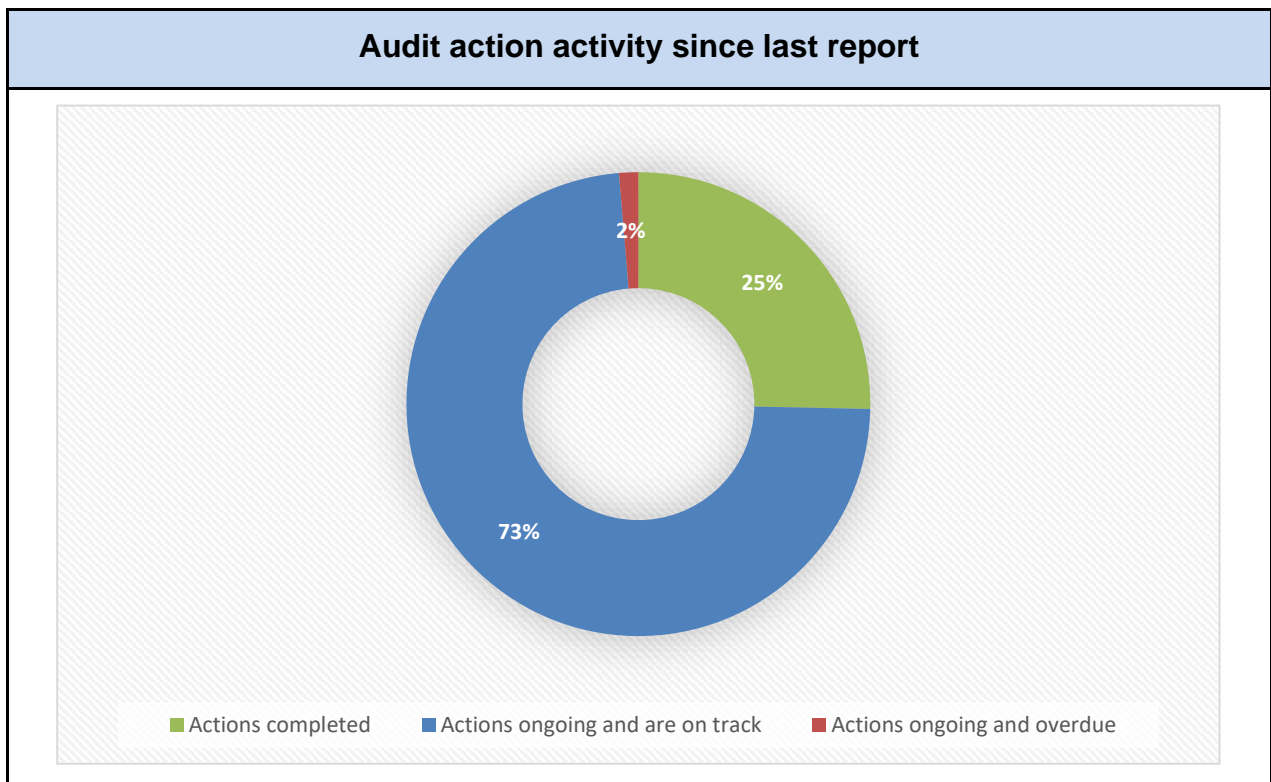
When an item is given a rating (as agreed by the City) of “high’ or “extreme”, the item will be added to the Corporate Risk Register.

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

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

The audits or reviews in this progress report are:

- | | |
|------------------------------------|-------------------------------------|
| Systems and Procedures Review – | Financial Management Review |
| • Internal Control | Interim Audit – Finance |
| • Risk Management | |
| Regulation of Consumer Food Safety | Interim Audit – Information Systems |



Actions	Number
Number of actions from previous report	74
Number of agreed actions added	1
Actions that have been completed in the reporting period	19
Actions that are ongoing, and are on track	55
Actions that are ongoing, and have exceeded estimated completion date	1
Actions with estimated completion dates amended since last report	9
Actions where no update has been provided since last report	6
Total actions in this report	75

It appears like an additional recommended action has been included in the Regulation of Consumer Food Safety Audit. This is because we have split an action into two parts as it was originally combined with another action in the register.

One ongoing action has exceeded its estimated completion:

Audit type	Auditors recommended actions	Progress comments	Estimated completion date
Systems and Procedures Review – Risk Management	Set a calendar reminder to trigger an annual review of the Business Continuity Plan, the Business Incident Management Plan and the Business Impact Analysis. Ensure all personnel mentioned in the documents are up to date during the annual review. Identify in the Business Continuity Plan who is responsible for the document. Ensure the City completes formal handovers of key documents during team restructures. Include the adoption/approval and review dates in the Disaster Recovery Plan (Appendix to the Record Keeping Plan).	Not provided.	31/01/2021

COMMITTEE RECOMMENDATION ITEM ARMC2104-6

(Officer's recommendation)

Moved: Mr Phillip Draber

Seconded: Cr Jenny Archibald

Council:

1. Receive the following information reports for February 2021:
 - a. Status report of council motions – 1 January 2021 to 28 February 2021.
 - b. Status report of audit actions to 31 March 2021.
2. Approve that the following update reports be presented to Council 3 times a year (every other Audit and Risk Management Committee under the current schedule):
 - a. Status report of council motions
 - b. Status report of audit actions

Carried: 7/0

Cr Adin Lang, Cr Frank Mofflin, Cr Doug Thompson,
Cr Marija Vujcic, Cr Jenny Archibald, Cr Su Groome, Mr Phillip Draber

8. Motions of which previous notice has been given

Nil

9. Urgent business

Nil

10. Late items

Nil

11. Confidential business

ARMC2104-7 RISK REPORT – APRIL 2021

Meeting date: 21 April 2021
Responsible officer: Director City Business
Decision making authority: Council
Attachments: Nil
Additional information: Nil

REASON FOR CONFIDENTIALITY

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

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

12. Closure

The Presiding Member declared the meeting closed at 6.45 pm.