

# minutes

## **Audit and Risk** Committee

**MEETING HELD ON**

**TUESDAY 2 MARCH 2021**

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## TABLE OF CONTENTS

<b>ITEM NO.</b>	<b>TITLE</b>	<b>PAGE NO.</b>
	<b>DECLARATION OF OPENING</b>	<b>2</b>
	<b>DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY</b>	<b>3</b>
	<b>APOLOGIES AND LEAVE OF ABSENCE</b>	<b>3</b>
	<b>CONFIRMATION OF MINUTES</b>	<b>3</b>
	<b>ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION</b>	<b>3</b>
	<b>IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC</b>	<b>3</b>
	<b>PETITIONS AND DEPUTATIONS</b>	<b>4</b>
	<b>REPORTS</b>	<b>5</b>
1	2020 COMPLIANCE AUDIT RETURN	5
2	INTERNAL AUDIT OUTCOMES	9
3	CONFIDENTIAL – REPORTING TO EXTERNAL OVERSIGHT AGENCIES	17
4	CONFIDENTIAL – CHIEF EXECUTIVE OFFICER’S CREDIT CARD EXPENDITURE (JULY – SEPTEMBER 2020)	18
5	CONFIDENTIAL – CHIEF EXECUTIVE OFFICER’S CREDIT CARD EXPENDITURE (OCTOBER – DECEMBER 2020)	19
6	HALF YEARLY REPORT – WRITE-OFF OF MONIES – 1 JULY TO 31 DECEMBER 2020	20
	<b>URGENT BUSINESS</b>	<b>24</b>
	<b>MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN</b>	<b>24</b>
	<b>REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION</b>	<b>24</b>
	<b>CLOSURE</b>	<b>24</b>

## CITY OF JOONDALUP

### MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 2 MARCH 2021.

#### ATTENDANCE

##### Committee Members

Cr Tom McLean, JP	<i>Presiding Member</i>	
Mayor Hon. Albert Jacob, JP		
Cr Christine Hamilton-Prime, JP	<i>Deputy Presiding Member</i>	
Cr John Logan		
Cr Christopher May		<i>from 6.08pm</i>
Cr Russell Poliwka	<i>Deputising for Cr May</i>	<i>until 6.08pm</i>
Cr Philippa Taylor		
Cr Suzanne Thompson		

##### Observers

Cr Russell Poliwka	<i>from 6.08pm</i>
Cr John Raftis	<i>from 5.49pm</i>

##### Officers

Mr Mat Humfrey	Acting Chief Executive Officer
Mr Mike Smith	Acting Director Corporate Services <i>absent from 5.48pm to 5.49pm</i>
Mr Brad Sillence	Manager Governance
Ms Christine Robinson	Manager Audit and Risk Services
Mr Peter McGuckin	Internal Auditor
Mrs Vivienne Stampalija	Governance Coordinator
Mrs Wendy Cowley	Governance Officer
Mrs Natasha Mossman	Governance Officer

#### DECLARATION OF OPENING

The Presiding Member declared the meeting open at 5.45pm.

## **DECLARATIONS OF FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT MAY AFFECT IMPARTIALITY**

Nil.

## **APOLOGIES AND LEAVE OF ABSENCE**

### **Apology**

Mr Richard Thomas.

## **CONFIRMATION OF MINUTES**

### **MINUTES OF THE AUDIT AND RISK COMMITTEE HELD ON 9 NOVEMBER 2020 AND SPECIAL AUDIT AND RISK COMMITTEE HELD ON 16 DECEMBER 2020**

**MOVED** Cr Logan, **SECONDED** Cr Thompson that the Minutes of the following Committee meetings be **CONFIRMED** as a true and correct record:

- 1 Audit and Risk Committee held on 9 November 2020;**
- 2 Special Audit and Risk Committee held on 16 December 2020.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Jacob, Crs Hamilton-Prime, Logan, Poliwka, Taylor and Thompson.

## **ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

## **IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC**

In accordance with Clause 5.2 of the City's *Meeting Procedures Local Law 2013*, this meeting was not open to the public.

## **PETITIONS AND DEPUTATIONS**

Nil.

## REPORTS

### ITEM 1

### 2020 COMPLIANCE AUDIT RETURN

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Office of the CEO
<b>FILE NUMBER</b>	32481, 09492, 101515
<b>ATTACHMENT</b>	Attachment 1 2020 Compliance Audit Return
<b>AUTHORITY / DISCRETION</b>	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

### PURPOSE

For Council to adopt the City's 2020 Compliance Audit Return (the Return) prior to it being submitted to the Department of Local Government, Sport and Cultural Industries (DLGSC).

### EXECUTIVE SUMMARY

The DLGSC Compliance Audit Return for the period 1 January to 31 December 2020 has been completed and is required to be adopted by Council before being submitted to the DLGSC by 31 March 2021.

*It is therefore recommended that Council:*

- 1 *ADOPTS the completed 2020 Local Government Compliance Audit Return for the period 1 January 2020 to 31 December 2020 forming Attachment 1 to this Report;*
- 2 *in accordance with Regulation 15 of the Local Government (Audit) Regulations 1996, SUBMITS the completed Compliance Audit Return as detailed in Part 1 above, to the Department of Local Government, Sport and Cultural Industries.*

### BACKGROUND

Regulation 14 of the *Local Government (Audit) Regulations 1996* requires a local government to carry out a compliance audit for the period 1 January to 31 December in each year. After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister. The Audit and Risk Committee is to review the Return before it is presented to Council for adoption.

Regulation 15 requires the Return to be certified by the Mayor and the Chief Executive Officer before being submitted to the DLGSC, along with the relevant section of the minutes, by 31 March 2021 following the period to which the Return relates.

The 2020 Return was made available to local government authorities by the DLGSC via its centralised portal called 'Smart Hub'. The 2020 Return is similar to previous years and focuses on high risk areas of compliance and statutory reporting as prescribed in Regulation 13 of the *Local Government (Audit) Regulations 1996*.

The 2020 Return includes an increase from four questions in 2019 to 10 questions in 2020 under the category "Optional Questions".

## DETAILS

The 2020 Return contains the following compliance categories:

- Commercial Enterprises by Local Governments.
- Delegation of Power / Duty.
- Disclosure of Interest.
- Disposal of Property.
- Elections.
- Finance.
- Integrated Planning and Reporting.
- Local Government Employees.
- Official Conduct.
- Optional Questions.
- Tenders for Providing Goods and Services.

The relevant Managers were required to complete the responses to the Return's questions which were approved by their Director before being forwarded to the Internal Auditor for review and input via the 'Smart Hub' on the DLGSC website. The Return has been completed and is now required to be adopted by Council before being finalised and submitted to the DLGSC by 31 March 2021.

It should be noted that the Return indicates two areas of non-compliance as follows:

- Optional Questions – Question 8

The City's current *Elected Members' Entitlements Policy* contains policy matters in relation to the continuing professional development of elected members. This policy was in place well before section 5.128(1) came into effect in 2019 (however was not adopted by Council during 2020). Council in accordance with this provision will be reviewing this policy prior to the 2021 local government elections.

- Tenders for Providing Goods and Services – Question 8

The City complied with two areas covered by Regulation 17 by recording information in the tender register and making the tender register available for public inspection. The requirement to publish on the City's website was only enacted in November 2020 without prior warning or lead-in-time being provided. The City published the tender register on the website in February 2021.

## Legislation / Strategic Community Plan / Policy implications

**Legislation** Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*.

## **Strategic Community Plan**

<b>Key theme</b>	Governance and Leadership.
<b>Objective</b>	Corporate capacity.
<b>Strategic initiative</b>	Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.
<b>Policy</b>	Not applicable.

## **Risk management considerations**

The risk associated with Council failing to adopt the 2020 Return would result in non-compliance with the legislative requirements of the *Local Government (Audit) Regulations 1996*.

## **Financial / budget implications**

Not applicable.

## **Regional significance**

Not applicable.

## **Sustainability implications**

Not applicable.

## **Consultation**

Not applicable.

## **COMMENT**

On occasions changes are made to legislation with little notice or direction and due to timeframes for implementation can result in non-compliance. This accounts for the non-compliance identified under Tenders for Providing Goods and Services (Question 8). This non-compliance was corrected in 2021.

The other area of non-compliance will be corrected during 2021 and, notwithstanding this, the 2020 Return reveals a high level of compliance with legislation by the City.

## **VOTING REQUIREMENTS**

Simple Majority.



**MOVED Cr Logan, SECONDED Cr Hamilton-Prime that Council:**

- 1 ADOPTS the 2020 Local Government Compliance Audit Return for the period 1 January 2020 to 31 December 2020 forming Attachment 1 to this Report;**
- 2 in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1996*, SUBMITS the completed 2020 Compliance Audit Return as detailed in Part 1 above to the Department of Local Government, Sport and Cultural Industries.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Jacob, Crs Hamilton-Prime, Logan, Poliwka, Taylor and Thompson.

*Appendix 1 refers*

*To access this attachment on electronic document, click here: [Attach1agnAUDIT210302.pdf](#)*

**ITEM 2****INTERNAL AUDIT OUTCOMES**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Office of the CEO
<b>FILE NUMBER</b>	11805, 36574, 105850, 101515
<b>ATTACHMENTS</b>	Nil.
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for noting).

**PURPOSE**

For the Audit and Risk Committee to note the outcomes and/or status of the following internal audits:

- Potential duplicate invoice payments.
- Attempts to bypass quotation and tender thresholds.
- Potential conflicts of interest via inappropriate relationships.

**EXECUTIVE SUMMARY**

The *2020-2021 Internal Audit Program* includes audits of areas of financial and human resource systems where there are potential risks of fraudulent activity to occur. Audits have been completed using the City's data analytics program to determine if an appropriate level of controls are in place to:

- 1 prevent and identify the payment of duplicate invoices
- 2 identify attempts to bypass quotation and tender thresholds
- 3 identify potential conflicts of interest via inappropriate relationships.

This report provides the outcomes of audits which have been completed and / or updates on audits that are not yet completed.

*It is therefore recommended that the Audit and Risk Committee NOTES the outcomes and / or status of the internal audits, as detailed in this Report.*

**BACKGROUND**

Since 2016 the City has utilised a data analytics program to assist and improve the effectiveness of the Internal Auditor's work program. The 2020-21 work program includes an examination of potential areas where fraudulent and / or misconduct risks may exist. The data analytics program was utilised for the audits detailed in this report. Insufficient controls in these areas can increase the risks of fraudulent activity with significant financial loss for the City.

## DETAILS

### Potential Duplicate Invoice Payments

There is a risk that duplicate invoices may be issued by suppliers, fraudulently or by mistake, and that they are paid without being identified and / or credited. The City's data analytics program analyses information in the City's accounts payable ledger to identify potential duplication of payments against the following six core assumptions:

- 1 Supplier ID.
- 2 Supplier Name.
- 3 Physical Invoice Number.
- 4 Invoice Date.
- 5 Invoice Amount (including GST).
- 6 Invoice Comment.

Following the internal audit completed in 2020 which identified potential duplicate payments for the financial years 2017-18, 2018-19 and 2019-20, a recommendation was made that stated:

*“Although the amount of duplicate invoice payments detected for the period under review was very minor and subsequent recoupment was made, the City should determine if there are any system weaknesses that enabled duplicate invoice payments to be made. Where necessary, appropriate system improvements should be made.”*

The follow up internal audit did not identify any payments that appeared to be duplicates, however controls that identify duplicate invoice numbers and prevent their payment can be circumvented, therefore increasing the risk of incorrect or fraudulent payments being made.

The follow up internal audit recommended that the City ceases the practice of adding a date to a duplicate invoice number to enable the invoice to be processed for payment. Invoices with duplicate invoice numbers should be returned to the supplier.

In most cases where a supplier might issue an invoice with the same number as before, the invoice is usually associated with a purchase order. If the invoiced goods or services are correct, the invoice is subsequently approved and sent to Accounts Payable. If the City adopted the position that such invoices be returned to the supplier for correction, it would require the relevant Business Unit to cancel the receipted order with the goods and services already having been delivered, and sometimes already consumed and the whole process to recommence. This is not practical and is likely to disrupt the procure-to-pay cycle and will inevitably delay payments to suppliers. Suppliers are more than likely to reissue the invoice with the same invoice date as before. When this is eventually paid, a comparison of payment date to invoice date would suggest delayed payment on the City's part when this is not the case. Further, several small businesses may not use digital invoicing systems and instead, make use of hard copy invoice books acquired from stationery suppliers such as Officeworks. It would not be unusual for suppliers to use several invoice books that contain the same numbering sequence.

The more reasonable approach would be the establishment of an appropriate review mechanism to monitor such invoices when processed and identify any anomalies that may then be followed. This monitoring process may allow better analysis of such data and enhance the City's ability to better understand the risk and, thereby, to manage it. Audit and Risk Services will therefore explore the viability of building within the City's data analytics program the capability to identify duplicate invoice numbers that have been altered.

Attempts to bypass quotation and tender thresholds

The objective of this audit is to determine whether requests for goods and services are being quoted correctly and whether there are legitimate business reasons for variances between a requisition, the subsequent purchase order and final payment/s. Due to the number of unique or specialist suppliers being engaged these types of suppliers are being reviewed first.

The following improvements have been implemented to strengthen the City's procurement controls:

- New Unique / Specialist Supplier Recommendation Form which requires greater justification of not seeking multiple quotations, as well as an assessment of current market providers.
- Updated *Purchasing of Goods and Services Protocol* which provides greater details of the process of engagement.
- Improved rigor in approving the engagement by the Director Corporate Services.
- Director Corporate Services advising the Manager Audit and Risk Services of red flags regarding requests for unique or specialist suppliers.

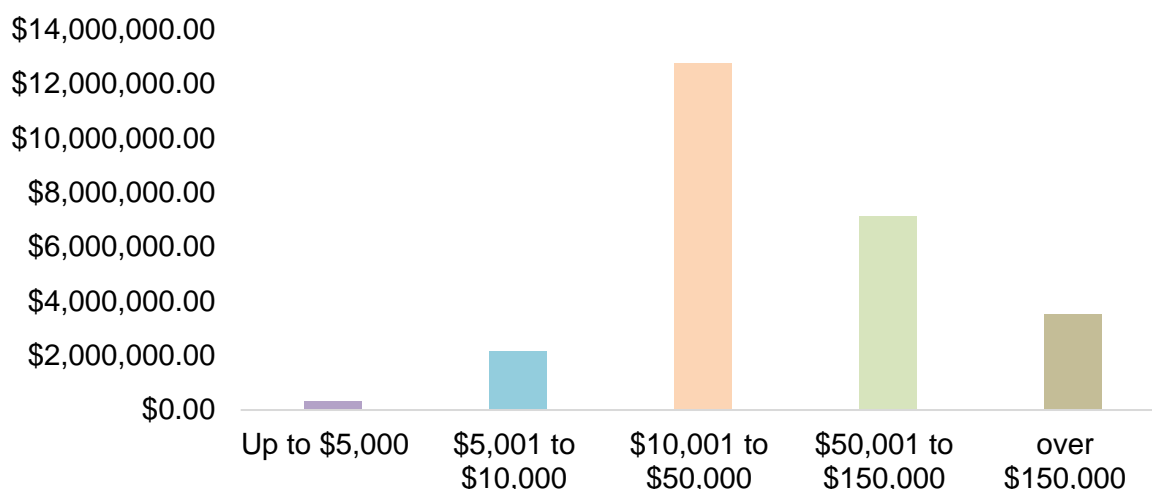
Further assessment of the following issues will be undertaken by the Internal Auditor to determine the validity of the engagements:

- 18-month analysis covering 2018-19 to 2019-20.
- 11 suppliers expenditure exceeded the tender threshold of \$150,000 within a financial year.

From 2008-09 to 2019-20, 920 exemption memoranda were located totalling approximately \$25,875,000 for 450 suppliers. Whilst there are legitimate reasons for using unique or specialist suppliers, the practice of engaging these types of suppliers has not been adequately monitored or reviewed. The following table shows the top ten categories used by the City:

No.	Category	Exemption Memorandum	Expenditure (ex GST)
1	IT and Communications	126	\$4,391,450.97
2	Consultancy	127	\$3,907,087.34
3	Entertainment	73	\$1,390,114.59
4	Library Equipment	47	\$1,123,127.40
5	Landscape Supplies	36	\$879,914.03
6	Advertising and Media	46	\$768,425.99
7	Education	37	\$764,373.97
8	Environmental Consultancy	23	\$706,108.02
9	Artists and Stylists	23	\$617,617.75
10	Security	17	\$602,253.59

The values of these supplier engagements cover all the quotation thresholds.



Report No. 14 of the Joint Standing Committee on the Corruption and Crime Commission titled *Red Flags Red Faces Corruption Risk in Public Procurement in Western Australia* included the following:

*“Open and effective competition*

*Competition, transparency and objectivity in the award of contracts act as deterrents to corrupt behaviour. Indeed, a procurement red flag for corruption identified by the CCC is the occurrence of competitive bidders’ complaints, arising from concerns that these principles have not been applied.*

*Exemptions are appropriate in certain circumstances. However, they should be the exception rather than the rule. Advice from the Department of Finance suggests that requests for exemptions are generally the result of poor planning. It is often not the time-saver that those making the application think it will be. The time it takes to justify an exemption could have been enough time for an opportunity to test the market.*

*While poor planning could be the main reason for exemption requests, it must be noted that exemptions may hide something more sinister. One of the procurement red flags identified by the CCC is an urgent need to sole source. A good indication of process not being followed, and therefore a red flag for corruption, is where the number of exemptions for sole supply made by a particular agency are unusually or inexplicably high.”*

Potential conflicts of interest via inappropriate relationships

The objective of this audit is to identify potential conflicts of interest via inappropriate relationships between suppliers to suppliers, employees to suppliers, and employees to employees.

The data analytics testing flags relationships across the following five fields:

- 1 ABN match.
- 2 Account match (BSB and account number).
- 3 Address match.
- 4 Name match.
- 5 Number match (telephone number).

The more matches the higher the risk profile the relationship has.

### Suppliers to Suppliers

These are analysed to determine if there are any relationships which present potential conflicts of interest that are going unmanaged. Examples of such conflicts of interest include favouritism when obtaining goods or services for the City.

One occurrence has been identified between two suppliers with four of the five fields matching. Whilst there is a relationship it has been determined that no conflict of interest exists as each supplier provides different services to the City and do not provide quotations for the same work.

### Employees to Suppliers

These are analysed to determine if there are any relationships which present potential conflicts of interest that are going unmanaged. Examples of such conflicts of interest include favouritism when obtaining goods or services for the City or using position to gain an advantage for others.

Eight occurrences have been identified and one occurrence has resulted in the following improvements being made or currently being implemented:

- Reminders to all employees of requirements of the City's *Code of Conduct* regarding secondary employment.
- Inclusion of wording within the next review of the *Code of Conduct* to strengthen the current secondary employment provision (particularly existing outside employment).
- Greater use of Vendorpanel to seek quotations.
- Competitive quotations to be undertaken.
- New Unique / Specialist Supplier Recommendation Form which requires greater justification of not seeking multiple quotations, as well as an assessment of current market providers.
- Updated *Purchasing of Goods and Services Protocol* which provides greater details of the process of engagement.
- Education / awareness sessions on the use of unique and specialist suppliers to be provided to business units.
- Implementing re-induction of all employees in key compliance areas every three years.
- Advice to be provided to all managers and employees regarding their obligation to ensure record keeping practices regarding quotations.
- Review of staff training regarding record keeping in Finance One as part of the induction program.
- Establishing a process for monitoring of all suppliers nearing and / or exceeding quotation procurement / tender limits in Finance One and reporting in a timely manner to the relevant Manager / Director.
- Implementing regular reporting to the Director Corporate Services on suppliers nearing and / or exceeding quotation procurement/tender limits and business units procuring the services.

- Regular review whether there is a potential relationship between suppliers engaged by the City and an employee and / or business unit.
- Implementing monthly review of employee bank account details and supplier bank account details.
- Implementing regular audits of primary and annual return forms, and tender declaration forms to ascertain whether employees should be declaring secondary employment or an interest in procurement matters.
- Implementing regular education / awareness sessions on identification of misconduct / fraud and reporting requirements to be provided to Directors and Managers.

The remaining seven occurrences are currently under review.

### Employees to Employees

These are analysed to determine if there are any relationships which present potential conflicts of interest that are going unmanaged. Examples of such conflicts of interest include using position to gain an advantage for others and recruitment practices that are based on nepotism and not on merit and equity.

As at 28 July 2020 the data analytics testing identified 234 potential relationships between City employees, however the vast majority of these could be eliminated from being a potential conflict of interest as they related to spouses, siblings, other family members or payments made by employees to other employees using the Aurion (payroll) self-serve system.

Eight relationships were identified for further analysis to determine if they presented conflicts of interest that were not being properly addressed or managed. The review of these relationships is currently underway.

### **Issues and options considered**

These types of audits are confidential and refer to sensitive information, therefore this report does not provide specific details.

Given the focus of these audits is for the detection and prevention of fraudulent / misconduct activity, the internal audit reports are presented to the Chief Executive Officer to determine if there are reasonable grounds to suspect serious or minor misconduct that requires notification as required by section 28 or section 45H of the *Corruption, Crime and Misconduct Act 2003*.

### **Legislation / Strategic Community Plan / Policy implications**

**Legislation**                      *Corruption, Crime and Misconduct Act 2003.*  
*Local Government (Audit) Regulations 1996.*

### **Strategic Community Plan**

**Key theme**                      Governance and Leadership.

**Objective**                      Corporate capacity.

**Strategic initiative** Demonstrate accountability through robust reporting that is relevant and easily accessible by the community.

Continuously strive to improve performance and service delivery cross all corporate functions.

**Policy** *Purchasing Policy.*  
*Fraud, Corruption and Misconduct Control Policy.*

### **Risk management considerations**

A lack of controls, or inconsistent application of controls, by the City within the areas subject to audit increases the risks of significant reputational damage and/or financial losses being incurred through error or fraudulent activity.

Process and continuous improvements ensure any weaknesses identified can be rectified within a timely manner.

These audit activities also provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996*.

### **Financial / budget implications**

Not applicable.

### **Regional significance**

Not applicable.

### **Sustainability implications**

Not applicable.

### **Consultation**

Not applicable.

### **COMMENT**

The City has controls in place, including data analytics testing, that mitigates the risk exposures in the areas subject to audit. The controls must be consistently applied and regularly reviewed to ensure they remain relevant and robust.

The continued focus to strengthen integrity and conduct controls enhances the City's reputation and shows the commitment to ethical behaviour. Where the standards of behaviour fall below what is expected, including misconduct, the City takes the appropriate action which may include notifications to the Corruption and Crime Commission or the Public Sector Commission.



## **VOTING REQUIREMENTS**

Simple Majority.

*The Acting Director Corporate Services left the room at 5.48pm and returned at 5.49pm.*

*Cr Raftis entered the room at 5.49pm.*

**MOVED Mayor Jacob, SECONDED Cr Hamilton-Prime that the Audit and Risk Committee NOTES the outcomes and / or status of the internal audits, as detailed in this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Jacob, Crs Hamilton-Prime, Logan, Poliwka, Taylor and Thompson.

**ITEM 3** **CONFIDENTIAL - REPORTING TO EXTERNAL OVERSIGHT AGENCIES**

<b>WARD</b>	All
<b>RESPONSIBLE DIRECTOR</b>	Mr Mat Humfrey Office of the CEO
<b>FILE NUMBER</b>	105279, 101515
<b>ATTACHMENTS</b>	Nil.
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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This report is confidential in accordance with Section 5.23(2)(a) and (f)(i) of the *Local Government Act 1995*, which also permits the meeting to be closed to the public for business relating to the following:

- (a) *a matter affecting an employee or employees; and*
- (f) *a matter that if disclosed, could be reasonably expected to –*
  - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law.*

A full report was provided to Elected Members under separate cover. The report is not for publication.

*Cr May entered the room at 6.08pm.*

**MOVED Cr Logan, SECONDED Cr Hamilton-Prime that the Audit and Risk Committee NOTES the status of reporting to external oversight agencies, as detailed in this Report.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Jacob, Crs Hamilton-Prime, Logan, May, Taylor and Thompson.

**ITEM 4** **CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (JULY - SEPTEMBER 2020)**

<b>WARD</b>	All
<b>RESPONSIBLE A/DIRECTOR</b>	Mr Mike Smith Corporate Services
<b>FILE NUMBER</b>	09882
<b>ATTACHMENT</b>	Attachment 1 Chief Executive Officer's Credit Card Expenditure - Quarter Ended 30 September 2020  (Please Note: The Report and Attachment is confidential and will appear in the official Minute Book only)
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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

- *a matter affecting an employee.*

A full report was provided to Elected Members under separate cover. The report is not for publication.

**MOVED Cr May, SECONDED Cr Taylor that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 30 September 2020.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Jacob, Crs Hamilton-Prime, Logan, May, Taylor and Thompson.

**ITEM 5** **CONFIDENTIAL - CHIEF EXECUTIVE OFFICER'S CREDIT CARD EXPENDITURE (OCTOBER - DECEMBER 2020)**

<b>WARD</b>	All
<b>RESPONSIBLE A/DIRECTOR</b>	Mr Mike Smith Corporate Services
<b>FILE NUMBER</b>	09882
<b>ATTACHMENT</b>	Attachment 1 Chief Executive Officer's Credit Card Expenditure – Quarter Ended 31 December 2020  (Please Note: The Report and Attachment is confidential and will appear in the official Minute Book only)
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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

- *a matter affecting an employee.*

A full report was provided to Elected Members under separate cover. The report is not for publication.

**MOVED Cr May, SECONDED Cr Taylor that the Audit and Risk Committee NOTES the report on the corporate credit card usage of the Chief Executive Officer for the quarter ended 31 December 2020.**

**The Motion was Put and CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Jacob, Crs Hamilton-Prime, Logan, May, Taylor and Thompson.

**ITEM 6** **HALF YEARLY REPORT - WRITE-OFF OF MONIES - 1 JULY TO 31 DECEMBER 2020**

<b>WARD</b>	All
<b>RESPONSIBLE A/DIRECTOR</b>	Mr Mike Smith Corporate Services
<b>FILE NUMBER</b>	07032, 101515
<b>ATTACHMENTS</b>	Nil.
<b>AUTHORITY / DISCRETION</b>	Information - includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

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**PURPOSE**

For the Audit and Risk Committee to note the amounts of monies written-off under delegated authority.

**EXECUTIVE SUMMARY**

The total amount written-off under delegated authority during the six months ended 31 December 2020 was \$46,014.64. This amount consisted of 6,156 small unpaid rate amounts below the \$100 reportable limit and the following reportable items:

1	Rates – Penalty interest waived	\$16,137.27
2	Rates – Court Costs	\$ 234.20
3	Two other reportable items totalling	\$17,338.08

*It is therefore recommended that the Audit and Risk Committee RECEIVES the report of amounts written-off under delegated authority for the period 1 July to 31 December 2020.*

**BACKGROUND**

Section 6.12(1)(c) of the *Local Government Act 1995* gives Council the power to write-off any amount of money owing to the City.

At its meeting held on 6 June 2006 (CJ079-06/06 refers), Council approved to delegate to the Chief Executive Officer the authority to write-off monies owed to the City, subject to a report being provided to the Audit and Risk Committee on a six-monthly basis on the exercise of this delegation for amounts between \$100 and \$20,000. The CEO under section 5.44 has delegated his authority to nominated employees, up to the limits provided in the instrument of delegation.

**DETAILS**

During the six months ended 31 December 2020 a total amount of \$ 46,014.64 was written-off as unrecoverable. This amount includes the following:

- 6,156 items below the reportable limit totalling \$12,305.09, mainly small rates balances, representing in the main rounding decimals or other minor miscellaneous charges and the cost of collection was, for all practical purposes, proving to be uneconomical.
- 1 item of \$234.20 for court costs were written off as agreed with the ratepayer on reaching a settlement of their dues.

The following table provides the details of the other reportable amounts written off during the period. Item 1 relates to affected lessees during the height of the COVID-19 pandemic in Western Australia, in which rent relief was negotiated in accordance with National and State emergency legislation passed in April 2020 to regulate lease arrangements following business closures arising from the related lockdowns and COVID-19 restrictions.

Item	Debtor's Name	Nature of Debt	Amount \$
1	<b>Lease Debtors:</b>		
	Creative Catering Perth	Lease Rent: 100% of rent July – September 2020	13,171.42
	Mullaloo Surf life Saving Club (associated to the commercial sub-lease at Swell Café)	Lease Rent: 50% of rent for July & August 2020	4,166.66
2	<b>Rates</b> – Penalty interest charges waived (Approved by Council resolution dated 21.04.2020)	Penalty interest in respect of the period March – June 2020	16,137.27
	Total		<b>33,475.35</b>

**Issues and options considered**

Not applicable.

**Legislation / Strategic Community Plan / policy implications**

**Legislation** Section 6.12(1)(c) of the *Local Government Act 1995*.  
Section 5.42 of the *Local Government Act 1995*.  
Section 5.44 of the *Local Government Act 1995*.

**Strategic Community Plan**

**Key theme** Financial Sustainability.

**Objective** Effective management.

**Strategic initiative** Not applicable.

**Policy** Not applicable.

**Risk management considerations**

The amounts written off were mainly related to the downturn in economic activities due to the COVID-19 pandemic which, though material in value, are either unrecoverable or uneconomical to recover, none of which represent a noteworthy financial risk to the City in the long run.

**Financial/budget implications**

<b>Account No:</b>	3256
<b>Budget Item</b>	Bad Debts written-off.
<b>Annual Budget</b>	\$ 13,500
<b>Year to Date Budget</b>	\$ 6,160
<b>Year to Date Actual</b>	\$ 46,015
<b>Year to Date variance</b>	(\$ 39,855)

**Regional significance**

Not applicable.

**Sustainability implications**

Not applicable.

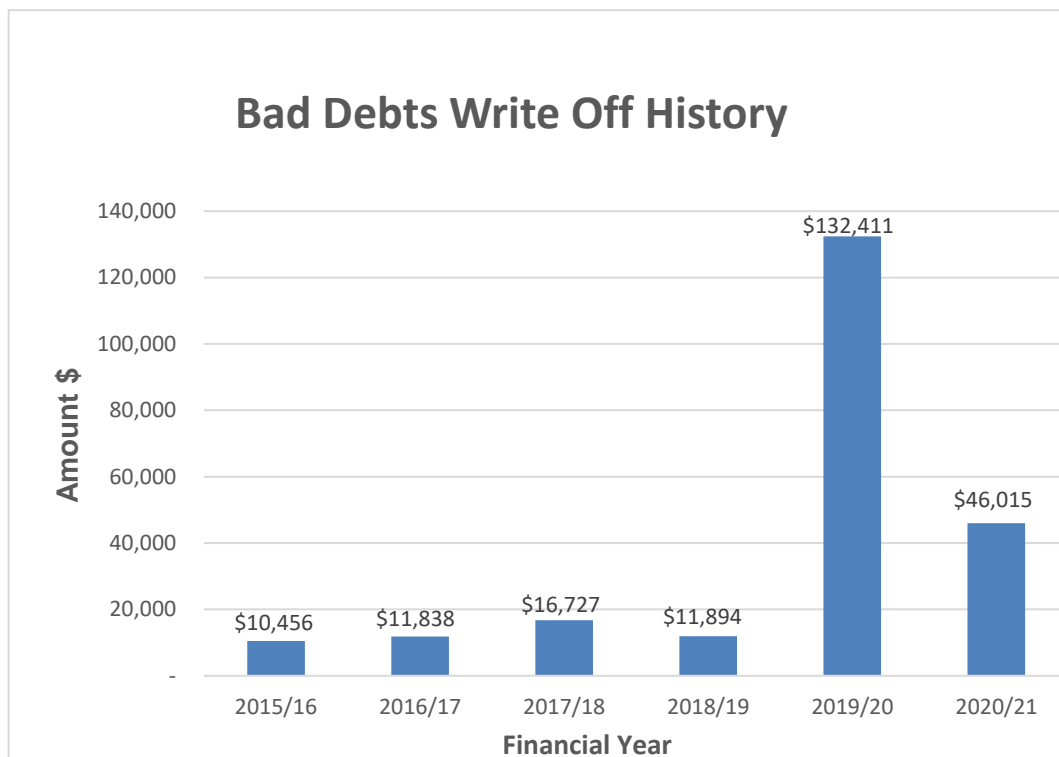
**Consultation**

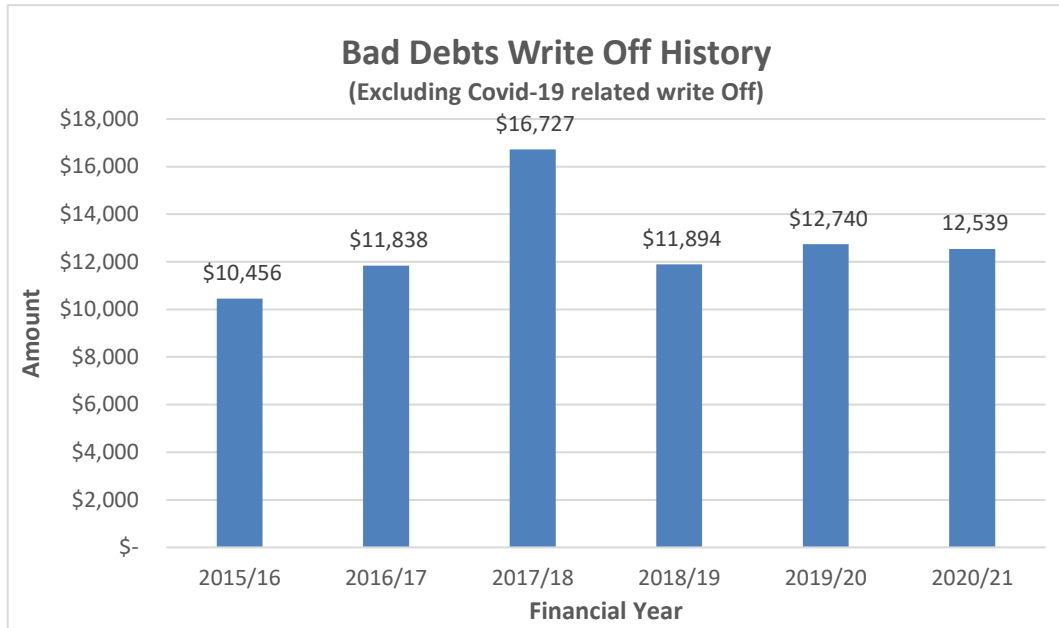
Not applicable.

**COMMENT**

Monies written-off under delegated authority comprised 6,156 small items of unpaid rates totalling \$12,305.09, all of which were below the \$100 reportable limit, and penalty interest charges waived under Council resolution totalling \$16,137.27 as well as one reportable item of \$234.20 due from ratepayers towards legal costs that were written off following unsuccessful debt recovery action. The remaining reportable items of lease rent totalling \$ 17,338.08, were written-off as they were uneconomical to recover or unrecoverable after unsuccessful debt recovery action.

History of bad debts written off over the past five financial years is below.





**VOTING REQUIREMENTS**

Simple Majority.

**MOVED Cr Hamilton-Prime, SECONDED Cr Thompson that the Audit and Risk Committee RECEIVES the report of monies written-off under delegated authority for the period 1 July to 31 December 2020.**

**The Motion was Put and**

**CARRIED (7/0)**

**In favour of the Motion:** Cr McLean, Mayor Jacob, Crs Hamilton-Prime, Logan, May, Taylor and Thompson.



## **URGENT BUSINESS**

Nil.

## **MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

## **REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION**

Nil.

## **CLOSURE**

There being no further business, the Presiding Member declared the Meeting closed at 6.22pm the following Elected Members being present at that time:

CR TOM McLEAN, JP  
MAYOR HON. ALBERT JACOB, JP  
CR CHRISTINE HAMILTON-PRIME, JP  
CR JOHN LOGAN  
CR CHRISTOPHER MAY  
CR PHILIPPA TAYLOR  
CR SUZANNE THOMPSON