

# TOWN OF BASSENDEAN

## MINUTES

### AUDIT AND RISK MANAGEMENT COMMITTEE

HELD IN THE COUNCIL CHAMBER, 48 OLD PERTH ROAD, BASSENDEAN  
ON WEDNESDAY 14 OCTOBER 2015 AT 9.30AM

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#### 1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member declared the meeting open and welcomed those in attendance.

#### 2.0 ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE

##### Present

Cr Gerry Pule, Presiding Member  
Cr Mike Lewis  
Cr John Gangell  
Ms Michelle Rutherford, Community Representative  
Mr Ron Back, Financial Advisor

##### Officers

Mr Michael Costarella, Director Corporate Services  
Ms Amy Holmes, Minute Secretary

##### Visitors

Mit Gudka, Auditor - Macri Partners  
Mr Simon Stewart-Dawkins, Director Operational Services  
Ms Jill Brazil, Acting Manager Corporate Services

##### Apologies

Mr Craig Weller, Community Representative  
Mr Tony Macri, Macri Partners

#### 3.0 DEPUTATIONS

Nil

#### **4.0 CONFIRMATION OF MINUTES**

##### **4.1 Minutes of the Meeting held on 6 May 2015**

###### **COMMITTEE/OFFICER RECOMMENDATION – ITEM 4.1**

MOVED Cr Mike Lewis, Seconded Cr Gerry Pule, that the minutes of the meeting held on 6 May 2015 be confirmed as a true record.

**CARRIED UNANIMOUSLY**

#### **5.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION**

The Presiding Member advised that Cr John Gangell will be sitting at this meeting as a Deputy Councillor.

#### **6.0 DECLARATIONS OF INTEREST**

Nil

#### **7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING**

Nil

#### **8.0 REPORTS**

##### **8.1 Audited Annual Financial Statements for the Year Ended 30 June 2015 (Ref: FINM/AUD/7 – Michael Costarella Director Corporate Services)**

###### **APPLICATION**

The purpose of this report was to receive the Draft Audited Annual Financial Statements for the year ended 30 June 2015.

###### **ATTACHMENTS**

The 2014/15 Audited Annual Financial Statements including the Audit Report.

The Audit Completion Report to the Audit Committee for the year ended 30 June 2015.

###### **BACKGROUND**

The 2014/15 Draft Audited Annual Financial Statements have been completed and the Committee was requested to adopt the document.

## RELEVANT LAW

The Local Government Act specifies as follows:

### **Section 5.53. Annual reports**

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain:
  - (a) a report from the mayor or president;
  - (h) the auditor's report for the financial year;
  - (i) such other information as may be prescribed.

## STRATEGIC IMPLICATIONS

### Leadership and Governance

- *We will be accountable and make decisions for the good of the community.*
- *Strengthen Council governance and compliance.*

## COMMENT

The audit for the 2014/15 financial year has been completed and provides an overview of the financial activities of the Town of Bassendean for the 2014/15 year.

The auditor has requested that the 2014/15 audit completion report and draft audit report be endorsed by the Audit and Risk Management Committee prior to the auditor providing the final version of the audit report.

### Completion Report Issues

There are two issues that have been identified and require action by management. These relate to:

- Revaluation of Infrastructure, Parks Plant and Equipment
- Revaluation methodology of Minor Assets- Art Works.

The Auditor has made a number of suggestions in relation to the revaluation of Infrastructure Assets as well as the qualification required to revalue the Artworks.

Staff will be rectifying these matters to ensure further compliance with the Audit requirements.

The Independent Audit Report provided by the Town's Auditors, Macri & Partners, is included in the Financial Report.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.1

**ARMC - 1/10/15** MOVED Cr Mike Lewis, Seconded Michelle Rutherford, that the Committee recommends to Council that it receives the audited 2014/15 Annual Financial Statements and Audit Report as attached to the Audit and Risk Management Committee Agenda of the 14 October 2015.

CARRIED UNANIMOUSLY

**8.2** 2015/16 Opening Surplus Adjustment/Budget Review (Ref: FINM/AUD/1, Ken Lapham - Manager Corporate Services)

APPLICATION

The purpose of this report was to review the opening position of the 2015/16 adopted Budget and propose an amendment to the opening balance in line with the Audited Annual Financial Statements for the 2014/15 financial year.

BACKGROUND

In the 2015/16 Budget, Council adopted an estimated brought forward surplus from the 2014/15 financial year of \$706,281. Following the completion of the 2014/15 end of year audit, the confirmed position realised a surplus of \$1,418,345, a gain of \$712,064 on the estimated position. *(Refer to the Rates Setting Statement on Page 8 & note 23(b) Surplus/ (deficit) B/Fwd & C/Fwd page 46 of Financial Report 2014/15).*

COMMENT

The 2014/15 Annual Financial Statements have been audited by Macri Partners for Council's adoption.

The 2014/15 Annual Audited Financial Report, together with the Independent Audit Report for the period ending 30 June 2015, is included in this agenda under the 2014/15 Annual Report.

There were several significant factors contributing to the favourable variation of actual income/expenditure to the adopted budget that ultimately resulted in the better than expected surplus for 2014/15. The 2014/15 budget opening surplus of \$331,494 assisted in the increased surplus of \$1,418,345. The reasons for the significant variances are:

1. Additional Fees and Charges	\$114,000
2. Grant in Advance	\$302,000
3. Additional Rates	\$140,000
4. Unspent Capital Works	<u>\$530,000</u>
<u>TOTAL</u>	<u>\$1,086,000</u>

The staff leave entitlements liability as at 30 June 2015 is \$1,800,323 (refer to Note 11 – Provisions, page 33), which is partly funded by a Leave Entitlements Reserve Fund which has a balance of \$781,934.

The “rule of thumb” is to ensure that as a minimum, 50% of the accrual is “cash backed”. The Employee Leave Entitlements Reserve Fund currently is cash backed to a level of 43% liability of the actual leave entitlements. It would be prudent financial management to continue to increase this particular reserve.

It is suggested that an amount of \$118,227 be set aside in a Leave Entitlement Reserve Fund for future requirements for the payment of Annual Leave and Long Service Leave, in an effort to meet Council’s objective of the 50% criteria.

The 2015/16 Budget also requires adjustment to reflect the reduction in budgeted income from the GPP Grant that was received in advance in 2014/15, and also a reduction in the amount that was estimated to be received. The 2015/16 Budget estimate was \$563,000 however the revised estimate is now \$261,000. This reduction of \$302,000 will further reduce the surplus.

### STRATEGIC IMPLICATIONS

#### Leadership & Governance

Improve capability and capacity	<ul style="list-style-type: none"><li>• Ensure financial sustainability</li><li>• Monitor and enhance organisational performance and service delivery</li><li>• Review and develop the workforce to meet changing needs</li><li>• Review and implement asset management plans</li><li>• Review risk management plans</li></ul>
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### STATUTORY REQUIREMENTS

The Local Government Act 1995 states:

#### 6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to -
  - (a) be prepared and presented in the manner and form prescribed; and
  - (b) contain the prescribed information.

- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor -
  - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
  - (b) the annual financial report of the local government for the preceding financial year.

#### 6.11 Reserve accounts

- (1) Subject to subsection (5), where a local government wishes to set aside money for use for a purpose in a future financial year, it is to establish and maintain a reserve account for each such purpose.

#### OFFICER RECOMMENDATION – ITEM 8.2

That the Audit and Risk Management Committee recommends to Council that:

1. Funds of \$118,300 be transferred to the Leave Entitlements Reserve in the 2015/16 financial year Budget;
2. The Surplus be adjusted by \$302,000 to reflect the reduced income in GPP Grants for 2015/16;
3. The balance of the additional surplus of \$292,000 be transferred to the Recreation Reserve fund; and
4. Council considers capital works projects in the 2015/16 budget review that were previously excluded from the 2015/16 budget as priority 2 & 3 with an estimated value of \$292,000; and
5. The 2015/16 Budget is amended accordingly.

*The Committee requested a report in relation to capital works projects that were previously excluded from the 2015/16 Budget.*

#### COMMITTEE RECOMMENDATION – ITEM 8.2

**ARMC - 2/10/15** MOVED Cr Mike Lewis, Seconded Michelle Rutherford, that the Audit and Risk Management Committee recommends to Council that:

1. Funds of \$118,300 be transferred to the Leave Entitlements Reserve in the 2015/16 financial year Budget;
2. The Surplus be adjusted by \$302,000 to reflect the reduced income in GPP Grants for 2015/16;

3. A report be prepared in relation to capital works projects that were previously excluded from the 2015/16 Budget to be considered as part of the 2015/16 budget review; and
4. The 2015/16 Budget be amended accordingly to reflect the changes in Points 1 and 2 of the Committee Recommendation.

CARRIED BY AN ABSOLUTE MAJORITY

**8.3 Class Action For the Recovery of GST on Asset Sales and Income From the Use of Assets (Ref: FINM/AUD/8 – Ken Lapham, Manager Corporate Services)**

APPLICATION

The purpose of this report was to receive a report from Genesis Accounting on the update, background and key points in regard to the proposed class action of Australian councils for the recovery of GST on assets.

RELEVANT LAW

With the introduction of the GST in 2000, an agreement was entered into between the State and Commonwealth Governments to pay an amount equivalent to the GST on their supplies of property, generally described as voluntary or notional GST.

STRATEGIC IMPLICATIONS

Leadership and Governance

- *We will be accountable and make decisions for the good of the community.*
- *Strengthen Council governance and compliance.*

COMMENT

To date, 78 Councils have joined a class action, which is expected to commence towards the end of this year. The Town has indicated to Genesis that it may join this action, in which it is understood that four metropolitan and four regional Councils have indicated that they have joined the class action.

In 2011, the Federal Court issued consent orders that Melton Shire Council is a 'State' for the purposes of Sect. 114 of the Constitution (and in turn for the GST Act) and that Section 5 of the GST Imposition Act applied which states that no tax payable under the GST law can be imposed on property of any kind belonging to Melton.

The proposed class action seeks refunds of GST paid on sales of assets and on income from the use of assets from 1 July 2000. Assets include land, buildings, cars, trucks, carparks and meters, caravan parks etc.

### COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.3

**ARMC - 3/10/15** MOVED Cr Mike Lewis, Seconded Michelle Rutherford, that the Committee recommends to Council that the information be received.

CARRIED UNANIMOUSLY

### **8.4 Request for a Rate Exemption – Sisters of Saint Joseph 12/6 Calnon Street, Bassendean (Ref: RAT&VAL/RTPAYMT/2 – Ken Lapham, Manager Corporate Services)**

#### APPLICATION

The purpose of this report is to provide Council information to assess whether an exemption from Council Rates could be granted under Section 6.26(2)(d) of the Local Government Act.

#### BACKGROUND

A religious body may apply for an exemption from rates if they can demonstrate the land is used exclusively as a place of public worship or in relation to that worship, a place of residence of a minister of religion, a convent nunnery or monastery, or occupied exclusively by a religious brotherhood or sisterhood.

#### STRATEGIC IMPLICATIONS

##### *Leadership and Governance*

##### **Improve capability and capacity**

- *Ensure Financial sustainability*
- *Monitor and enhance organisational performance and service delivery*

#### COMMENT

The property concerned is a unit that was purchased by the Trustees of the Sisters of Saint Joseph on 4 June 2014. It is now a convent which is used as a resident for a sister of St Joseph.

Council may decide to provide a full rate exemption, or reject the application, but given the nature of the applicant granting full exemption in accordance with the Local Government Act would be the most suitable resolution.

#### STATUTORY REQUIREMENTS

Local Government Act S6.26(2) (d)

#### FINANCIAL CONSIDERATIONS

Loss of revenue, by providing a rate exemption of 100% of the 2015/16 rates levied totalling \$ 1107.91 as well as rates levied in future years. Rubbish and other levies are still required to be paid.

#### COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.4

**ARMC - 4/10/15** MOVED Cr Mike Lewis, Seconded Cr Gerry Pule, that Council determines that the Trustees of the Sisters of St. Joseph are eligible for a Rate exemption under Section 6.26(2)(d) of the Local Government Act.

CARRIED BY AN ABSOLUTE MAJORITY

#### **8.5 Request for a Rate Concession – Morley Baptist Church 33 Hanwell Way Bassendean (Ref: RAT&VAL/RTPAYMT/2 – Mike Costarella, Director Corporate Services)**

##### APPLICATION

The purpose of this report is to provide Council information to assess whether a concession from Council Rates could be granted under Section 6.47 of the Local Government Act.

##### ATTACHMENTS:

Correspondence from the Morley Baptist Church received on the 22 September 2015.

##### BACKGROUND

The Baptist Church purchased the property (33 Hanwell Way Bassendean) in December 2014 and Council granted planning approval to change the use to a Place of Worship.

The Church has written to Council seeking a concession of 100% on rates levied for the 2015/16 year. The Church recognises that some of the building within the property may be used for other activities is seeking a concession on the rates given that the majority of the building is used as a place of worship.

## STRATEGIC IMPLICATIONS

### *Leadership and Governance*

#### **Improve capability and capacity**

- *Ensure Financial sustainability*
- *Monitor and enhance organisational performance and service delivery*

## COMMENT

The Director of Corporate Services (DCS) visited the property to seek clarification of the activities to be undertaken on the property. The DCS met with the Chairman of the Church who explained that their initial projected use of the property would not be realised and the property would solely be used for a place of worship as well as a café.

The Chairman advised that in the future this may change, which may include some commercial activities and at that time the Church would advise Council and reconsider the concession.

## STATUTORY REQUIREMENTS

Section 6.47 of the Local Government Act 1995

## FINANCIAL CONSIDERATIONS

The 2015/16 rates levied total \$9540.00. There will be an amendment in the Rubbish Charge from \$335 per service to the exempt properties charge of \$400 per service. FESA levies are still required to be paid.

## OFFICER RECOMMENDATION – ITEM 8.5

That the Audit and Risk Management Committee recommends to Council that the Trustees of the Morley Baptist Church Inc is eligible for a Rate concession of 100% of the rates levied for the 2015/16 financial year in accordance with Section 6.47 of the Local Government Act;

*This item was deferred as additional information was requested.*

## COMMITTEE RECOMMENDATION – ITEM 8.5

**ARMC - 5/10/15** MOVED Cr Pule, Seconded Cr Mike Lewis, that this item be deferred pending additional information.

CARRIED UNANIMOUSLY

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

Nil

**10.0**                    **ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING**

Nil

**11.0**                    **CONFIDENTIAL BUSINESS**

**12.0**                    **CLOSURE**

There being no further business, the meeting closed at 10.25am.