

# TOWN OF BASSENDEAN

## MINUTES

### AUDIT AND GOVERNANCE COMMITTEE

HELD IN THE COUNCIL CHAMBER, 48 OLD PERTH ROAD, BASSENDEAN  
ON WEDNESDAY 7 NOVEMBER 2018, AT 5.30PM

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

The Presiding Member opened the meeting, welcomed all those in attendance and conducted an Acknowledgement of Country.

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

##### Present

Cr Kathryn Hamilton, Presiding Member  
Cr Jai Wilson  
Cr Bob Brown  
Ian Walters  
Tom Klaassen

##### Staff/Consultants

Peta Mabbs, CEO  
Michael Costarella, Director Corporate Services  
Ken Lapham, Manager Corporate Services  
Jill Brazil, Accountant (Until 5.50pm)  
Amy Holmes, Minute Secretary  
Ron Back, Financial Advisor (Until 6.15pm)  
Tony Macri, Macri Partners (Until 5.50pm)  
Suren Herathmudalige, Macri Partners (Until 5.50pm)

##### Apologies

Cr Mykytiuk – Leave of Absence

#### 3.0 DEPUTATIONS

Nil

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

##### **4.1 Audit and Governance Meeting held on 8 August 2018**

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

MOVED Tom Klaassen, Seconded Ian Walters, that the minutes of the Audit and Governance Committee meeting held on 8 August 2018, be confirmed as a true record.

CARRIED UNANIMOUSLY 5/0

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

Nil

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

Nil

#### **8.0 REPORTS**

*Item 8.2 was brought forward to be discussed first, to allow the auditors from Macri Partners to leave the meeting at the conclusion of this item.*

##### **8.2 Audited Annual Financial Statements for the Year Ended 30 June 2018 (Ref: FINM/AUD/7 – Ken Lapham, Manager Corporate Services and Michael Costarella, Director Corporate Services)**

###### **APPLICATION**

The purpose of this report is to receive the Audited Annual Financial Statements for the year ended 30 June 2018.

###### **BACKGROUND**

The 2017/18 Audited Annual Financial Statements have been completed and the Committee is requested to adopt the document.

###### **RELEVANT LAW**

Section 6.4 of the Local Government Act 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.*

### STRATEGIC IMPLICATIONS

#### Good Governance

5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people
	5.1.2 Ensure financial sustainability
	5.1.3 Strengthen governance, risk management and compliance
	5.1.4 Improve efficiency and effectiveness of planning and services
	5.1.5 Ensure optimal management of assets

### COMMENT

The audit for the 2017/18 financial year has been completed and provides an overview of the financial activities of the Town of Bassendean for the 2017/18 year.

The auditor has requested that the 2017/18 audit completion report and draft audit report be endorsed by the Audit and Governance Committee prior to the auditor providing the final version of the audit report.

### **2017/18 Closing Surplus**

The estimated closing budget surplus at 30 June 2018 was anticipated to be \$38,324. Following the conclusion of the financial year and the completion of the Annual Audit, the actual closing surplus for the 2017/18 financial year is \$1,921,369. The closing surplus includes an amount of \$270,000 that relates to rates paid in advance. The amount has been included as income in accordance with current audit requirements.

A list of the major variances between the 2017/18 Budget and Actual amounts are included as an attachment to the Agenda.

### **COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.2**

**AGC-1/11/18**

MOVED Ian Walters, Seconded Tom Klaassen, that the Committee recommends to Council that it receives the audited 2017/18 Annual Financial Statements and draft Audit Report and Completion Report, as attached to the Audit and Governance Committee Agenda of 7 November 2018.

CARRIED UNANIMOUSLY 5/0

**7.0**

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

**7.1**

#### **Review of Purchasing Policy 6.14 (Ref: GOVR/POLCY/1-Mike Costarella, Director Corporate Services and Mr Ken Lapham, Manager Corporate Services)**

#### **APPLICATION**

The Audit and Governance Committee is requested to recommend Council adopt the revised Purchasing Policy that was deferred at the August 2018 Council meeting. The matter was deferred in view of the WALGA Sustainability report and receipt of the Auditor General's Office report on Local Government Procurement.

The policy also addresses the November 2017 resolution of Council pertaining incentives for local businesses for the purchase of goods and services.

## BACKGROUND

At the November 2017, Council meeting it was:

*“MOVED Cr Brown, Seconded Cr Gangell, that the Town of Bassendean provide a report to Council outlining the feasibility of providing incentive for local business in the provision of goods and services to the Town. Furthermore, the report is to include how best to provide incentive for businesses owned by or who employ Indigenous peoples, and or actively recruit local youth.”*

It was resolved (OCM – 17/08/18 in part) that Council:

- “1. Defers a decision on Policy 6.14 – Purchasing Policy and refers it back to the Audit & Governance Committee to consider in the light of:
  - a) recommendations and feedback from WALGA regarding sustainable procurement; and*
  - b) the findings of the Auditor General’s Report on Procurement that is due to be released in the near future.”**

## COMMENT

Council revised all its Governance Policies in April 2017 and since that time, there have been a number of changes to the Procurement Procedures that are used in the purchasing of goods and services.

In addressing the Council resolution of August 2018, comments were sought from WALGA on the Town’s Purchasing Policy and it provided the following comments:

*This policy complies with the Local Government (Functions and General) Regulations 1996 (The Regulations). Sustainable Procurement content is as per WALGA’s PP template and therefore meets required standard. Please see below comments for further consideration.*

- **Monetary Threshold \$5000 - \$19,999** – *It is considered best practice by WALGA to seek at least three (3) verbal or written quotations from suitable suppliers for this threshold, this can be attributed to the fact that if one supplier withdraws their submission then you will have two suppliers to assess.*

**Staff Comment** - Staff believe 2 written quotes for this threshold is sufficient.

- **Purchasing from Existing Contracts** – *You may want to add further detail to this topic such as - The Shire/Town/City will ensure that any goods, services or works required that are within the scope of an existing contract will be purchased under that contract.*
- **Emergency Purchases** – *WALGA suggests covering this topic within the PP as it can be relevant to most Shire/Town/City's*
  - **Emergency Purchases (Within Budget)** *Must be approved by the Mayor / President or by the Chief Executive Officer under delegation and reported to the next available Council Meeting.*
  - **Emergency Purchases (Not included in Budget)-** *Only applicable where, authorised in advance by the Mayor / President in accordance with s.6.8 of the Local Government Act 1995 and reported to the next available Council Meeting.*

**Staff Comment** - Staff believe this is adequately covered by the requirements of the Local Government Act.

- **WALGA Services (excluding Preferred Supplier Program)** - *For the purchasing of WALGA Services, a minimum of one (1) written quotation is to be sought and appropriately recorded. Recording is to be in accordance with the threshold levels outlined above. Confirmed via Purchase Order or Contract/Agreement – This is applicable only if you use WALGA services, if so you may want to consider adding into the attached PP.*

**Staff Comment** - Included in Policy.

- **LGIS Services** - *For the purchasing of LGIS Services, a minimum of one (1) written quotation is to be sought and appropriately recorded. Confirmed via Purchase Order or Contract/Agreement. – Again if applicable you may want to consider adding.*

**Staff Comment** - Included in Policy.

- **Ethics and Integrity** – Consider adding further detail such as the following - The Shire/Town/City's Code of Conduct applies when undertaking purchasing activities and decision making. Elected Members and employees must observe the highest standards of ethics and integrity and act in an honest and professional manner at all times.

**Staff Comment-** Included in Policy.

- **Exemptions** – Purchasing activity under the exempt supplier arrangements should be provided in purchasing policy, this is best practice.
- **Anti – Avoidance** - Consider adding further detail in regards to anti avoidance such as the following - The Shire/Town/City will not conduct multiple purchasing activities with the intent (inadvertent or otherwise) of "splitting" the purchase value or the contract value, avoiding a particular purchasing threshold or the need to call a Public Tender.
- **Panels of Prequalified Suppliers** – You may want to add further detail to this topic if applicable such as the following - If the local government has intent to establish and manage panels of pre-qualified suppliers, it must do so in accordance with Division 3 Part 4 of the Local Government (Functions and General) Regulations 1996, through the creation of a written policy permitting the local government to do so, this must be mentioned in purchasing policy.

**Auditor Generals' Office** - A copy of the report that was tabled in Parliament, is included as an attachment.

OCM-32/11/17 - Notice Of Motion - Cr Brown: Incentive For Local Business

In addressing the Notice of Motion, Staff sought advice from the City of Canning and it provided the following statement:

*“Under our Policy we include clauses for the support of both corporate social responsibility and supporting of local businesses. These are applied as separate criteria, each with a maximum weighting of 20%.*

*These criteria can be applied to all request processes (Quotation and Tender).*

*Support Local Business allows organisations both within and without the City to demonstrate a benefit to the City through being, or use of, a local business.*

*Corporate Social Responsibility is aimed at organisations who use WA Disability Enterprises or Aboriginal Owned Businesses, or employ disabled or indigenous people. It further captures those actively reducing their environmental impact or demonstrating innovation in sustainability.”*

The Town assesses each Request for Quote (over \$60,000) and Request for Tender (over \$150,000) on the following basis:

- Methodology;
- Skills and Experience;
- Risk Management; and
- Price.

The issue of local purchasing is somewhat addressed within the assessment of the RFQ and RFT and as part of the skills and Experience as well as methodology. However, there is currently insufficient suppliers within the Town for many of goods and services the Town procures.

Staff have included a statement within the Procurement Procedures that acknowledges the importance of local economic benefit, viz -

### **Local Economic Benefit**

*The Town encourages the development of competitive local businesses within its boundary first, and second within its broader region. As much as practicable, the Town will:*

- *Where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;*
- *Consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);*
- *Ensure that procurement plans address local business capability and local content;*
- *Explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;*
- *Avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and*



- *Provide adequate and consistent information to local suppliers.*

The matters relating to the employment of young people and Indigenous people is a matter for each business and the Policy cannot not be restricted to only deal with those businesses.

### STATUTORY REQUIREMENTS

Local Government Act 1995

The Local Government (Functions and General) Regulations requires that the Purchasing Policy (Clause 11(3)) states:

*A purchasing policy must make provision in respect of —*

- (a) the form of quotations acceptable; and*
- (ba) the minimum number of oral quotations and written quotations that must be obtained; and*
- (b) the recording and retention of written information, or documents, in respect of —*
  - (i) all quotations received; and*
  - (ii) all purchases made.*

### FINANCIAL CONSIDERATIONS

Nil

### OFFICER RECOMMENDATION - ITEM 7.1

That the Audit and Governance Committee recommends to Council that it adopts the Policy 6.14 – Purchasing, as included in the Audit and Governance Committee Agenda of 7 November 2018.

### COMMITTEE RECOMMENDATION – ITEM 7.1

**AGC-2/11/18**

MOVED Cr Wilson, Seconded Cr Brown, that the review of Policy 6.14 be deferred pending a Councillors' workshop.

CARRIED UNANIMOUSLY 5/0

## **8.0                      REPORTS**

### **8.1            Request for a Rate Exemption – Morley Baptist Church, 33 Hanwell Way, Bassendean (Ref: RAT&VAL/RTPAYMT/2 - Ken Lapham, Manager Corporate Services)**

#### **APPLICATION**

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

#### **BACKGROUND**

The Baptist Church purchased the property at 33 Hanwell Way, Bassendean in December 2014, Council granting planning approval to change the use to a Place of Worship.

The Church has written to Council seeking a rates exemption on rates levied for the 2018/19 year. The Church advises that the property is used as a place of worship.

A religious body may apply for an exemption from rates if it 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.

#### **STRATEGIC IMPLICATIONS**

<b>Objectives</b> <i>What we need to achieve</i>	<b>Strategies</b> <i>How we're going to do it</i>	<b>Measures of Success</b> <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance)
	5.1.2 Ensure financial sustainability	
	5.1.3 Strengthen governance, risk management and compliance	Compliance Audit
	5.1.4 Improve efficiency and effectiveness of planning and services	Risk Management Profile
	5.1.5 Ensure optimal management of assets	Financial Ratio Benchmarked.  Asset Ratio Benchmarked

### COMMENT

The Manager Corporate Services and the Senior Rates Officer visited the property in August 2016, to seek clarification of the activities that were currently being undertaken on the property. The Chairman of the Church, who met with Council Officers, explained that its initial projected use of part of the property (that being a reception/café) would not be realised and the property would solely be used for a place of worship and associated activities. At this stage, the original concept was would not be progressed.

A drive through inspection in September 2018 has confirmed that the property had not changed since 2016.

Council may decide to provide a full rate exemption, or reject the application, but given the nature of the activities as described by the applicant, that being “primarily as a place of worship” and normal activities of a Baptist Church, planning approval was given as a place of worship, and as a function centre.

Granting full exemption in accordance with the Local Government Act would be the most suitable resolution, given the fact that the property is being primarily used in accordance with the requirements of Section 6.26 (2) (d). Section 6.26 (2) (d) states:

*“Land used or held exclusively by a religious body 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.”*

### STATUTORY REQUIREMENTS

Section 6.26 (2) (d) of the Local Government Act 1995.

### FINANCIAL CONSIDERATIONS

The 2018/19 rates levied total \$10,989.60. FESA levies are not exempt, and will need to be paid.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.1

**AGC-3/11/18** MOVED Cr Wilson, Seconded Cr Brown, that the Audit and Governance Committee recommends to Council that the Trustee of the Morley Baptist Church Inc is eligible for a Rates Exemption on 33 Hanwell Way Bassendean for the 2018/19 financial year in accordance with Section 6.26 (2)(d) of the Local Government Act, **on the proviso that the planning use is changed from ‘reception centre’ to ‘place of worship’.**

CARRIED BY AN ABSOLUTE MAJORITY 5/0

**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**

COUNCIL RESOLUTION – ITEM 11.0(a)

**AGC-4/11/18** MOVED Cr Brown, Seconded Cr Wilson, that the meeting go behind closed doors in accordance with Section 5.23 of the Local Government Act 1995, the time being 6.07pm.

CARRIED UNANIMOUSLY 5/0

*All members of the public vacated the Chamber, the time being 6.07pm.*

**11.1** **Interest Penalty on Outstanding Rates and Charges (Ref: FINM/DBTOS/2 – Mike Costarella, Director Corporate Services)**

*This matter was considered with members of the public excluded from the Chamber under Clause 5.23 (2) of the Local Government Act 1995, as the Officer report discusses the financial affairs of a person.*

COMMITTEE RECOMMENDATION – ITEM 11.1

**AGC-5/11/18** MOVED Cr Hamilton, Seconded Cr Brown, that the Audit and Governance Committee recommends to Council, the confidential Committee Recommendation attached to the Audit and Governance Committee Minutes of 7 November 2018.

CARRIED BY AN ABSOLUTE MAJORITY 5/0

**12.0 CLOSURE**

The next meeting is to be confirmed.

There being no further business, the Presiding Member closed the meeting at 6.18pm.