

TOWN OF BASSENDEAN

MINUTES

AUDIT AND RISK MANAGEMENT COMMITTEE

**HELD IN THE COUNCIL CHAMBER, 48 OLD PERTH ROAD, BASSENDEAN
ON WEDNESDAY 12 OCTOBER 2016 AT 5.30PM**

1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

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

2.0 ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE

Present

Cr Mike Lewis, Deputy Presiding Member
Cr John Gangell
Cr Paul Bridges
Ian Walters
Michelle Rutherford (left the meeting at 6.00pm)

Staff

Mike Costarella, Director Corporate Services
Ken Lapham, Manager Finance Services
Amy Holmes, Minute Secretary

Consultants

Ron Back, Financial Advisor
Tony Macri, Macri Partners - Auditors
Mit Gudka, Macri Partners

Observers

Three members of the public were in attendance.

Apologies

Cr Gerry Pule, Presiding Member

3.0 DEPUTATIONS

Mr Don Yates addressed the Committee regarding strategic implications in relation to Item 8.2.

4.0 CONFIRMATION OF MINUTES

4.1 Minutes of the Meetings held on 10 August 2016

COMMITTEE/OFFICER RECOMMENDATION – ITEM 4.1

MOVED Ian Walters, Seconded Cr Bridges, that the minutes of the meeting held on 10 August 2016 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

7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

Nil

8.0 REPORTS

8.1 Draft Audited Annual Financial Statements for the Year Ended 30 June 2016 (Ref: FINM/AUD/7 – 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 2016.

Audit Completion Report to the Audit Committee for the year ended 30 June 2016.

BACKGROUND

The 2015/16 draft Audited Annual Financial Statements have been completed and the Committee is 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 2015/16 financial year has been completed and provides an overview of the financial activities of the Town of Bassendean for the 2015/16 year.

The auditor has requested that the 2015/16 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.

Michelle Rutherford left the meeting, the time being 6.00pm.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.1

ARMC - 1/10/16 MOVED Cr Bridges, Seconded Cr Gangell, that the Committee recommends to Council that it receives the audited 2015/16 Annual Financial Statements and draft Audit Report and Completion Report, as attached to the Audit and Risk Management Committee Agenda of 12 October 2016.

CARRIED UNANIMOUSLY 4/0

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

APPLICATION

The purpose of this report is to review the opening position of the 2016/17 adopted Budget and propose an amendment to the opening balance, in line with the Audited Annual Financial Statements for the 2015/16 financial year.

BACKGROUND

In the 2016/17 Budget, Council adopted an estimated brought forward surplus from the 2015/16 financial year of \$1,668,642. Following the completion of the 2015/16 end of year audit, the 2015/16 Audited Financial Report shows a final closing surplus of \$1,345,705. (*Refer to the Rates Setting Statement on Page 8 & note 24) Surplus/ (deficit) B/Fwd & C/Fwd page 44 of Financial Report 2015/16*).

The 2015/16 Annual Financial Report have been audited by Macri Partners and the Financial Report and the Independent Audit Report is included as an attachment to this agenda

COMMENT

2015/16 Estimated Closing Surplus and 2016/17 Opening Surplus

The estimated closing surplus at 30 June 2016 was anticipated to be \$1,668,642 and this amount was used when Council adopted the 2016/17 budget. Following the conclusion of the financial year and the completion of the Annual Audit, the actual closing surplus for the 2015/16 financial year is \$1,345,706.

The 2016/17 budget also includes a small closing surplus of \$24,860. In order to achieve the same closing surplus, Council will be required to review its current budget projects to reduce the expenditure or increase the income (or both) by \$322,936. This will then provide for the same closing surplus for the 2016/17 financial year of \$24,860.

At the August 2016 OCM, Council adopted a number of budget amendments for the 2015/16 financial year. This included a transfer to the Municipal Building and Town Planning Reserve of \$300,000, as well as \$223,000 to the Waste Management Reserve.

It is recommended that funds transferred to these reserves, be transferred back to the Municipal Fund to allow for the difference in the opening surplus.

In summary, this means that the Town needs to:

- Transfer \$300,000 from the Municipal Buildings and Town Planning Reserve; and
- Transfer \$22,937 from the Waste Management Reserve

STRATEGIC IMPLICATIONS

Leadership & Governance

Improve capability and capacity	<ul style="list-style-type: none">• Ensure financial sustainability• Monitor and enhance organisational performance and service delivery• Review and develop the workforce to meet changing needs• Review and implement asset management plans• Review risk management plans
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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. The 2016/17 Budget be amended and transfer an amount of \$300,000 from the Municipal and Town Planning Reserve;
2. The 2016/17 budget be amended and transfer an amount of \$22,937 from the Waste Management Reserve; and
3. The 2016/17 Budget is amended accordingly.

This item was deferred as shown below.

COMMITTEE RECOMMENDATION – ITEM 8.2

ARMC - 2/10/16 MOVED Cr Gangell, Seconded Cr Bridges, that this item be deferred to the next Audit and Risk Management Committee meeting to allow for a report to be prepared outlining the potential options of expenditure in order to increase the opening surplus.

CARRIED UNANIMOUSLY 4/0

8.3 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 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 (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 2016/17 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 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.

STRATEGIC IMPLICATIONS

Leadership and Governance

Improve capability and capacity

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

COMMENT

The Manager Corporate Services and the Senior Rates Officer visited the property 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 their initial projected use 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.

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 2016/17 rates levied total \$11,727.30. There will be an amendment in the Rubbish Charge from \$345 per service to the exempt properties charge of \$415 per service. FESA levies are still required to be paid.

COMMITTEE/OFFICER RECOMMENDATION – ITEM 8.3

ARMC - 3/10/16 MOVED Cr Bridges, Seconded Ian Walter, that the Audit and Risk Management Committee recommends to Council that the Trustees of the Morley Baptist Church Inc. **be granted** a rate exemption on 33 Hanwell Way Bassendean for the 2016/17 financial year in accordance with Section 6.26 (2)(d) of the Local Government Act.

CARRIED BY AN ABSOLUTE MAJORITY 4/0

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

Nil

12.0 **CLOSURE**

Please note an additional meeting has been scheduled for Wednesday 7 December 2016 commencing at 5.30pm.

There being no further business the Deputy Presiding Member declared the meeting closed the time being 6.49pm.