



AUDIT & RISK MANAGEMENT COMMITTEE MEETING

Thursday 1 February 2018

Location: District Council of Mount Remarkable Melrose S.A.

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on 1 February 2018, commencing at 9:30am in the Council Chambers District Council of Mount Remarkable 3 - 5 Stuart Street, Melrose S.A.

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The Annual Financial Report prepared by Regional Council of Goyder Finance Manager Mr Griff Campbell had been distributed prior to the meeting. The terms of reference of the Audit and Risk Management Committee require them to review the Legatus Group annual financial statements to ensure that it present fairly the state of affairs of the Legatus Group and recommend adoption of the annual financial statements to the Board. A letter had been received from Mr Ian G McDonald the appointed independent auditor who had been provided with the financial statements.

a. Adopting the annual financial statement

Motion: That the Legatus Group annual financial statement for the year ending 30 June 2017 presents a fair view of the state of the financial affairs of the Legatus Group and that the board should adopt the annual financial statement.

Moved: Dr Andrew Johnson Seconded: Colin Davies **CARRIED**

b. Related party disclosures

Motion: That the Legatus Group writes to the Auditor Mr Ian G McDonald FCA, Creative Auditing, Henley Beach South Australia advising that the board discussed the requirements of the Related Party Disclosures and confirms that there are no transactions that are required to be disclosed.

Moved: Dr Andrew Johnson Seconded: Colin Davies **CARRIED**

c. Financial management services

Motion: That the Legatus Group continue with the Goyder Council to provide their financial management services.

Moved: Dr Andrew Johnson Seconded: Colin Davies **CARRIED**

Motion: That the Legatus Group write to thank Mr Griff Campbell for the services provided to Legatus Group for their financial management.

Moved: Chair Kathie Bowman Seconded: Mayor Colin Nottle **CARRIED**

d. Auditor

Motion: That the Audit Committee authorise the Chair of the Audit and Risk Committee to sign the representation letter to Auditor Ian G. McDonald to audit the financial report for the year ending 30 June 2017; sign the auditor independence statement on behalf of the Board, and recommend that the Legatus Group retain Mr Ian G. McDonald as Auditor for the year ending 30 June 2018.

Moved: Dr Andrew Johnson Seconded: Colin Davies **CARRIED**

e. Assets threshold

Motion: That the Legatus Group considers increasing the Assets threshold from \$1,000 to \$5,000.

Moved: Dr Andrew Johnson Seconded: Colin Davies **CARRIED**

5. Budget 2017/2018

The 2017/2018 Legatus Group draft budget and business plan was released to Constituent Councils on 22 June 2017 some 7 weeks later than the Legatus Group Charter requires. The Charter requires that the Legatus Group must adopt the budget after 31 May and within 6 weeks of approval of the budget by all of the Constituent Councils. A revised 2017/2018 Legatus Group budget was developed following feedback from some constituent councils and this was presented to the Legatus Group Audit and Risk Committee. The meeting noted that a Special Meeting called by the Chair of the Legatus Group on the topic of the 2017/2018 Legatus Group Procurement Business Plan.

a. Revised budget

Motion: That the revised budget (excluding Long Term Financial Plan) is released to all Constituent Councils with advice that the Audit and Risk Committee have reviewed and support its release to allow for the Legatus Group to adopt the revised budget (excluding Long Term Financial Plan) at their 8 September 2017 Ordinary Meeting.

Moved: Dr Andrew Johnson

Seconded: Colin Davies

CARRIED

b. Business plan

Motion: That the Legatus Group review the draft business plan for 2017/2018 to allow greater detail to be provided on the programs.

Moved: Dr Andrew Johnson

Seconded: Colin Davies

CARRIED

c. Charter compliance

Motion: That the Audit and Risk Committee note that the Legatus Group ensures that it complies with its charter in regard to the preparation and submission of draft budgets.

Moved: Dr Andrew Johnson

Seconded: Colin Davies

CARRIED

6. Long Term Financial Plan

The Legatus Group Charter at section 5.3 Long Term Financial Plan requires the preparation and submission to the Constituent Councils for their approval a Long Term Financial Plan covering a period of at least ten (10) years as if the Legatus Group were a council. General discussion held on the need for an organisation like the Legatus Group to have 10-year financial plan and that considerations could include a focus on the next 3 years.

Motion: That the Legatus Group undertake a review of their Strategic Plan including an evaluation of its operations and achievements prior to March 2018 and that this review includes a comprehensive review of its Long Term Financial Plan.

Moved: Mayor Ray Agnew

Seconded: Chair Kathie Bowman

CARRIED

7. Other Business

Correspondence received from District Council of Orroroo Carrieton requesting that the minutes of the Audit Committee be provided to the Council by Thursday 17 August.

Motion: That the unconfirmed minutes of the Legatus Group Audit & Risk Management Committee held on 10 August 2017 be distributed to all Constituent Councils advising that they will be included as agenda items for both the 8 September 2017 AGM and Ordinary Meeting of the Legatus Group.

Moved: Mayor Colin Nottle Seconded: Chair Kathie Bowman

CARRIED

8. Next Meeting

The next meeting is set down for Thursday 1 February 2018 at District Council of Mount Remarkable and that this includes a review on risk.

Meeting Closed by the Chair at 2:45 pm

Recommendation: That the minutes of the Legatus Group Audit & Risk Management Committee Meeting held on 10 August 2017 be taken as read and confirmed.

3) BUSINESS ARISING NOT OTHERWISE ON THE AGENDA

3.1 Annual Financial Statement 2016/2017

Following the recommendations of the Audit and Risk Committee the Legatus Group adopted the Audited Annual Financial Statement 2016/2017 at the Annual General Meeting held on 8 September 2017. The Annual Financial Statement for 2016/2017 budget comparison was not provided and this is now attached.

3.2 Strategic Review

Following the recommendations of the Audit and Risk Committee the Legatus Group contracted URPS to undertake and survey and workshop of the Legatus Group Strategic Plan (Future Directions). The Legatus Group CEO is meeting with all Constituent Councils and RDA's for specific meetings to discuss the results of the survey and workshop. These meetings will also allow councils to have further input into the draft strategic plan and long term financial plan which plan to be presented at the Legatus Group meeting on 16 February 2018. The review is to be completed by the end of March 2018 and this will allow for input to the 2018/2019 action / business plan to be developed in April 2018.

4) FINANCIAL REPORT 2017/ 2018 AND LONG TERM FINANCIAL MANAGEMENT

Reports for Discussion

From: Simon Millcock
Chief Executive Officer

Recommendations: That the Legatus Group Audit and Risk Committee

- (1) Notes the half yearly financial report to 31 December 2017 and the update provided by the CEO with regards income and expenditure and agree that this presents a fair view of the state of the financial affairs of the Legatus Group for 2017/2018.**
- (2) Notes this report on the carry over reserves and accumulated surplus available from 1/7/2017.**
- (3) Notes that if the Legatus Group approves undertaking Phase 2 – Road Deficiency Assessment and Roads Database of the Legatus Group 2030 Regional Transport Plan to an amount of \$75,000 then there is sufficient funds in reserves to cover this.**
- (4) Notes and recommends that the Legatus Group receive and endorse the 2016/2017 Statement of the Comprehensive Income, Statement of Financial Position and Reserves Balance showing actual against the budget.**
- (5) Supports including in the draft review of the Legatus Group Long Term Financial Plan an allowance for the reserve to be set as a minimum of \$480,000.**

Background

The Legatus Group adopted the 2017/2018 Budget at the Legatus Group 8 September 2017 meeting. The Terms of Reference of the Audit and Risk Committee include:

- Facilitate reviewing of the annual financial statements to ensure that they provide a timely and fair view of the state of affairs of Legatus Group.
- Review the adequacy of accounting, internal auditing, reporting and other financial management systems and practices of Legatus Group on a regular basis.
- Review the recommendations of business cases developed by management in association with significant activities or major projects. Such reviews should have regard to prudential management principles.

The Regional Council of Goyder provide the financial reporting and payment of accounts for the Legatus Group through Finance Manager Mr Griff Campbell. Mr Campbell has prepared the attached Balance Sheet, Profit and Loss Statement and Actual v Budget Comparison for 2017/2018 to 31 December 2017.



July - Dec 2017
financial reports.pdf

4.1 2017/2018 Income and Expenditure:

General comments:

CWMS: Following the recent Legatus Group sub-regional Community Wastewater Management Scheme meetings an update was provided to the LGA and it is anticipated a grant of \$30,000 - \$50,000 will be made available to the Legatus Group to assist with coordination. This is anticipated to commence in the 2017/2018 financial year.

Leadership: A Commonwealth Government grant of \$16,000 through the Building Better Regions program for the delivery of the Yorke and Mid North (YMN) Regional Leadership Program has been approved. RDAYMN have confirmed a cash contribution to this project of \$4,000. The funding will be made available after the project has been completed as such it will be included in the 2018/2019 income budget noting there may be some expenditure in the 2017/2018 financial year.

Other matters which had been discussed regarding possible budget implications which no longer need to be taken into account are:

- **Emergency Management**, there is likely to be support for a regional officer which will be managed by the LGA at no cost to Legatus via State and Commonwealth funding. An offer has been made to the LGA to have a position based in the Legatus Office which could see a slight administration cost in 2018/2019.
- **Murray Darling Association Membership** invoice dated 01 July 2017 issued to Legatus for group membership for 2017/18 has resulted in a credit note and the issuing of individual membership invoices for the 2017/18 year.

Income: 80% of budget received with an expected increase of \$60,000 - \$70,000 subject to:

| Item | Comment |
|---|--|
| Interest | Further payments still due. |
| Rubble Royalties | 2 nd payment is likely to be \$118,776 (GST exclusive) and this should be soon but is still to be confirmed by LGA. They are waiting to receive advice that the funds have been received from Treasury. This would be \$16,000 above the budget figure. |
| LGA R&D Grant Equity Ratings major projects | Variation to this project will result with increase of \$5,500 to income and same amount for expenses. Invoices requested to LGA and the 5 x ROC's |
| Roads and Transport | Unsure of where this income was to have come from. |
| Climate Change | Further payments from SAFECOM by the end of February once the coastal inundation mapping completed. |

| | |
|-------------------------------------|--|
| Conferences / Regional Planning Day | RDAYMN and NRM to contribute \$5,000 each and Legatus Group to manage the finances for the YMN Regional Planning Day 27 April. |
| CWMS | To be confirmed but advise received likely to be between \$30,000 - \$50,000 awaiting meeting by LGA in February. |

Expenses: 44% of the budget expended and likely to see a reduction of around \$25,000 due to:

| Item | Comment |
|--|--|
| Wages, Superannuation, Annual Leave and Travel Reimbursement | The redundancy of the Procurement Officer role will result in a reduction of around \$56,000. |
| Telephone and Internet | As indicated in previous reports the telecommunications budget line will be higher. This is due to contracts which had been agreed for phone lines re the setup of the office. Estimated that this will see extra cost of around \$3,500. |
| Accommodation – Catering | There is an increase due to extra travel for meetings with Councils by CEO and increased number of sub-regional meetings. This is offset by no allocation of expenses in the other expenses line. |
| Conferences | Increase expenditure of around \$15,000 due to partnerships for (1) YMN Regional Planning Day 27 April 2018 in Port Pirie with RDAYMN and Northern and Yorke NRM; and (2) Regional SA Conference in partnership with RDA South Australia and Economic Development Australia in Kadina 7-8 June 2018. Off set will be increased income of \$10,000. There is currently around \$5,000 not yet expended in this budget line. |
| Climate Change | No likely change as a short-term project officer is being employed and the funding of this position will come from the allocation made available from the Northern and Yorke NRM prior to Natasha Hall leaving. The contracting of a short-term part time Project Officer was discussed with Legatus Chair and Deputy Chairs. The funds would have been returned to NRM if not used. |
| YP Leadership Project | Some project expenses will fall within the period January 2018 – June 2018 and income will not be received from the Australian Government until after the project is completed. |

As such the Net Surplus / Deficit for 2017/2018 should see a surplus of around \$50,000 as opposed to the current budgeted deficit.

4.2 The Legatus Group Grants and their reporting requirements update 15 January 2018

| 17/18 Projects | | | | |
|---|--|----------|-----------------|---|
| Grant | Amounts | Received | Contract signed | Reporting dates and requirements |
| LGA – Outreach 17/18 | 50,000 | 50,000 | | The Outreach Program is not regarded as an external project. For R&D Scheme purposes it is an internal LGA project for which Andrew Haste is responsible. Andrew will seek two reports from you, corresponding to each half of the financial year; i.e. January and July |
| LGA – R&D NDIS 17/18 | 23,100 | 23,100 | 15/10/17 | <ol style="list-style-type: none"> 1. 15 April 2018 progress report unless completed before that date 2. Completion of the project <ul style="list-style-type: none"> • detailed financial statement of how the funds were used • a final summary report including an evaluation • an electronic copy of the final publication(s) |
| LGA – R&D Rating Equity 17/18 | 16,600 (note waiting on possible other funding) | 16,600 | 15/10/17 | <ol style="list-style-type: none"> 1. 15 April 2018 progress report unless completed before that date 2. Completion of the project <ul style="list-style-type: none"> • detailed financial statement of how the funds were used • a final summary report including an evaluation • an electronic copy of the final publication(s) |
| LGA – Regional Capacity Building top up | 97,272 payment I with possible | 97,272 | | Two components – the ‘base level’ and the ‘top-up’. The top up is merely revenue from the |

| | | | | |
|-----------------------------------|--|--------------------|----------|---|
| | 2 nd payment tbc | | | rubble royalties being returned to the regions from which it came, but for purposes of reporting the two components are treated as the one project – regional capacity building. Therefore, the reporting is not doubled or duplicated. Both components of the regional capacity building allocations can be dealt with in a single report after the end of the financial year. i.e. on 1 July or shortly thereafter. |
| LGA – Regional Capacity base | 39,777 | 39,777 | | |
| NRDP – SAFECOM Coastal Inundation | 22,500 Paid retrospectively via stages | 16,250 | 1/6/17 | <ol style="list-style-type: none"> 1. Progress reports 1 and 2 provided 2. Progress report 3 due February 2018 3. Final report due March 2018 |
| BBRF – Leadership | 16,000 Paid retrospectively at end of the project | 16,000 | 14/11/17 | Final report only required 10 January 2019 |
| NRM – Climate Change Coordinator | 30,000 | 30,000 in May 2017 | | \$10,800 paid Natasha Hall and remaining amount can be used to contract short term contract Climate Change Project Officer. Interviews have been held. |

4.3 Carry over reserves and accumulated surplus available 1/7/2017

The reserves and accumulated surplus report has been prepared for discussion and does not including the current years earning. The reserve is \$716,027 via:

| Description / Project | Amount | CEO's notes |
|-----------------------|---------|---|
| Accumulated surplus | 121,695 | Remain for general reserves |
| Climate Change | 63,472 | Current projects include inundation mapping and implementation of the sector agreement via a part time Project Officer. These funds will be acquitted through current projects and employment of coordinator. |
| General | 31,093 | Remain for general reserves |
| Special Projects | 15,341 | Regional Capacity building grants from previous years with acquittals up until June 2015 with nothing else to acquit. |

| | | |
|----------------------------|---------|--|
| | | Consider for Regional Development workshop partnerships in 2018/2019. |
| Waste Management | 16,273 | Funding was until 30 June 2015 for Regional Waste Coordinator Vanessa Loechel who has finished. Nothing to acquit Could be considered for CWMS support 2018/2019 |
| Roads and Transport | 37,892 | Special Local Roads Projects and nothing to acquit this could be considered for HDS stage 2 proposal. |
| LGA Outreach | 83,235 | Nothing to acquit remain for general reserves |
| LG Reform – Incentive Risk | 144,000 | Generated from bus/transport services early 2000 and there is nothing to acquit. Consideration for 2018/2019 and beyond in developing partnerships with RDA's, Universities in areas such as coastal adaptation or the Mid North Knowledge Management. Investigate further ways to utilise these funds to assist in securing other Commonwealth, State of Local Government research and development funding. |
| Regional Capacity Building | 203,026 | Rubble Royalties with nothing to acquit and to remain for a general reserves fund. |
| Total | 716,027 | |

The Climate Change project is the only active project that will require funds from the reserve and these are allocated at \$63,472. As such this will leave \$652,555 in reserves.

The Roads and Transport reserves could be considered to assist with funding for Phase 2 of the Legatus Group 2030 Regional Transport Plan. HDS Australia Pty Ltd has finalised stage 1 and they have provided an indicative fee estimate of \$75,000 (GST exclusive) for phase 2. If this full amount was allocated, then it would leave \$577,555 in reserves.

4.4 Long Term financial plan

In the current review being undertaken of the Legatus Group Strategic Plan it includes the long term financial plan. The Audit and Risk Committee may wish to consider recommending an amount that would be appropriate to retain as a constant set reserve.

There is currently no reserve policy in place which would have the purpose of being able to build and maintain a certain level of positive unrestricted net assets that can accommodate; a) day-to-day fluctuations in normal cash flow requirements, and b) unusual and/or unforeseen emergency cash requirements.

The current operating expenses for the Legatus Group are approx. \$250,000 per annum which includes the current contracts for CEO, office and communications.

An allocation of \$380,000 would cover an 18-month period of operating expense along with an allocation of \$100,000 as a contingency for any emergency project/s which may arise. As such a reserve of \$480,000 could be considered an appropriate amount.

This could allow for the prudent allocation in forthcoming budgets of funds above this amount in the reserve and accumulated surplus to be used for projects, research and partnerships which also attract other funding for the region.

Other SA Regional Organisations of Councils have varying approaches with the amounts they keep in reserve. This is subject to the size of the organisation and their contractual arrangements. All recognise that due to the current uncertainty with funding from such LGA funding streams such as Rubble Royalties and the Outreach program that reserves of up to \$500,000 is worthy of consideration.

Current advice from the LGA in relation to Outreach Services and the base-level Regional Capacity Building allocations, will not see any assurances given until the LGA Board meeting of 17 May 2018, when the LGA's budget for 2018-19 is set. In May 2016 the LGA Board extended regional capacity building allocations for only two years (to 30 June 2018) pending a review of regional governance issues. The Outreach Program is in its third year and each year has only been a year-to-year proposition.

Attached is the 2016/2017 Statement of the Comprehensive Income, Statement of Financial Position and Reserves Balance showing actual against the budget.



20162017 compare
to budget.pdf

Noting: The primary objective of the Audit & Risk Committee is to protect and create value for the Legatus Board and Councils. It will provide advice and recommendations to the Board, contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial management, risk management, internal controls and governance processes.

5) CHARTER / TERMS OF REFERENCE

Report for Discussion

From: Simon Millcock
Chief Executive Officer

Recommendations: That the Legatus Group Audit and Risk Committee

(I) Recommends that the Legatus Group adopts the attached Draft Legatus Group Procurement Policy.

5.1 Procurement

Background:

The Central Local Government Region Supply Policy was approved on 21 June 2005 and there has not been an update to this policy. Attached is a draft tender policy



Procurement Tender
Policy.docx

6) OTHER BUSINESS

6.1 Work Plan

Colin Davies: I would also like to see a formal work program for the committee and attached is last year's FRC work program by way of example.



Copy of FRC Audit
Committee Work Prog

For discussion.

7) NEXT MEETINGS

Reports for Discussion

From: Simon Millcock
Chief Executive Officer

Recommendation: The next meeting of the Audit & Risk Management Committee should be set down for Friday 20 April 2018 to discuss amongst other matters the draft 2018/2019 budget.