



AUDIT & RISK MANAGEMENT COMMITTEE MEETING

Friday 3 August 2018 10.00 am

Location: Clare and Gilbert Valleys Council, 4 Gleeson Street, Clare

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on Friday 3 August 2018, commencing at 10.00am in the Council Chambers, Clare and Gilbert Valleys Council, 4 Gleeson Street, Clare.

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1) MEETING ATTENDANCE AND APOLOGIES

Meeting Attendance

Present

Mayor Ray Agnew (Chairman)	Yorke Peninsula Council
Chairman Kathie Bowman	District Council of Orroroo-Carrieton
Mr Colin Davies CEO	The Flinders Ranges Council
Mr Peter Ackland CEO	Port Pirie Regional Council

Apology

Mayor Colin Nottle	District Council of Mount Remarkable
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In Attendance

Mr Simon Millcock CEO	Legatus Group
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2) NEW MEMBER

The Legatus Group Ordinary Meeting 25 May 2018 confirmed the appointment of Peter Ackland subject to his confirmation of interest to the vacant position on the Legatus Group Audit and Risk Committee. Peter Ackland confirmed his interest.

3) MINUTES OF PREVIOUS MEETING

Recommendation: That the minutes of the Legatus Group Audit & Risk Management Committee Meeting held on 20 April 2018 be taken as read and confirmed.

The unconfirmed minutes of Audit & Risk Management Committee Meeting held 20 April 2018 at the Council Chamber District Council of Orroroo-Carrieton were presented by Chairman Kathie Bowman as Acting Chairman of the Legatus Group Audit and Risk Committee to the Legatus Group ordinary meeting on 25 May 2018 in Kapunda. Motions carried at the 25 May 2018 were:

1. That the Legatus Group endorses the Legatus Group Strategic Plan 2018-2028 and 3-year Action Plan July 2018 - June 2011 subject to the endorsement of the 2018/2019 budget and business plan.
2. That the Legatus Group adopts the draft business plan and budget for 2018/2019 subject to endorsement by all Constituent Councils.
3. That all Constituent Councils who have not responded regarding the draft 2018/2019 Business Plan and Budget and Strategic Plan and three-year Action Plan provide their response by 30 June 2018.
4. That subject to confirmation of interest from Port Pirie Regional Council CEO Peter Ackland the Legatus Group appoints Peter Ackland to the vacant position on the Legatus Group Audit and Risk Committee.
5. That the Flinders Ranges Council be appointed for 3 years starting from 1 July 2018 to provide the financial services to the Legatus Group at the amount of \$4,000 per annum.

6. That the Legatus Group receive the Legatus Group Audit and Risk Committees report for 2017/2018 and adopts the work plan for 2018 and 2019.

Minutes of Audit & Risk Management Committee Meeting 20 April 2018

Council Chamber District Council of Orroroo – Carrieton

The meeting was opened at 9:55 am on 20 April 2018 at the Council Chamber, District Council of Orroroo Carrieton 17 Second Street Orroroo.

1. Meeting Attendance

Present: Chairman Kathie Bowman, Mayor Colin Nottle and Mr Colin Davies.

In Attendance: Chairman Legatus Group Mayor Peter Matthey (ex-officio) and Legatus Group CEO Mr Simon Millcock

Apologies: Chairman of the Audit and Risk Committee Mayor Ray Agnew

2. Appointment of Chairman for the meeting

Motion: That Chairman Kathie Bowman in the absence of Mayor Ray Agnew be appointed Chairman for this meeting of the Legatus Group Audit and Risk Management Committee.

Moved: Colin Davies Seconded: Mayor Colin Nottle

CARRIED

Chairman Kathie Bowman welcomed Mayor Peter Matthey in his ex-officio role as Chairman of the Legatus Group to the meeting.

3. Confirmation of Previous Minutes

Motion: That the minutes of the previous Legatus Group Audit and Risk Management Committee meeting held on 1 February 2018 be taken as read and confirmed

Moved: Colin Davies Seconded: Mayor Colin Nottle

CARRIED

4. Business Arising Not Otherwise on the Agenda

The Legatus Group CEO provided a written report with the agenda which had been distributed to the Legatus Group Audit and Risk Management Committee and to the Legatus Group Board. Mayor Colin Nottle noted that the agenda had been distributed 2 days prior to the meeting instead of the required 3 days.

4.1 Strategic Plan Review and 3-year action plan

Motion: That the Legatus Group CEO distributes the Legatus Group Strategic Plan review and the 3- year action plan to Constituent Council for their consideration prior to the 25 May 2018 Legatus Group ordinary meeting.

Moved: Mayor Colin Nottle Seconded: Colin Davies

CARRIED

4.2 2018/2019 Business Plan and Budget

Motion: That the Legatus Group CEO distribute the draft 2018/2019 business plan and budget to Constituent Councils for their consideration prior to the 25 May 2018 Legatus Group ordinary meeting.

Moved: Mayor Colin Nottle Seconded: Colin Davies

CARRIED

The committee noted a report on the replacement of the Legatus Group CEO's motor vehicle and consensus was that this matter be held over for another 12 months.

4.3 10 Year Long Term Financial Plan

Motion: That the Legatus Group CEO distribute the draft 10-year long term financial plan presented to the committee to the Constituent Councils for their consideration prior to the 25 May 2018 Legatus Group ordinary meeting subject to the inclusion of an approximate income from the Local Government Association of \$100,000 from July 2019.

Moved: Colin Davies Seconded: Chairman Kathie Bowman **CARRIED**

The meeting noted that due to the uncertainty associated with new LGA Constitution and role of the Regional Local Government Organisations that the amount of \$100,000 is one third of the amount received in recent years from the LGA.

The Legatus Group CEO was requested to investigate the legal requirements for the Legatus Group to have a 10-year long term financial plan.

4.4 Work Plan 2018 - 2019

Motion: That the Legatus Group Audit and Risk Committee endorse the work plan and recommends the Legatus Group adopt this work plan.

Moved: Chairman Kathie Bowman Seconded: Colin Davies **CARRIED**

4.5 Membership of the Audit and Risk Committee

The committee noted the Legatus Groups CEO's report that there has been no applicant for the vacant position created by the departure of Andrew Johnson. The Legatus Group CEO advised he will be raise this matter with the Legatus Group CEO's and list as an agenda item at the next Legatus Group Management Group meeting.

4.6 Expressions of interest for the delivery of financial services

Motion: That the Legatus Group Audit and Risk Committee recommends that the Legatus Group CEO calls for expressions of interest from constituent councils for the delivery of financial services to the Legatus Group for the 3 years starting from July 2018.

Moved: Colin Davies Seconded: Mayor Colin Nottle **CARRIED**

5. Budget 2017/2018

5.1 Financial Report 2017/2018

The Legatus Group CEO had distributed the balance sheet, profit and loss statement and actual v budget comparison for 2017/2018 to 31 March 2018 and prepared by Finance Manager Mr Griff Campbell with the agenda.

Motion: That the Legatus Group Audit and Risk Committee notes the financial report to 31 March 2018 and the update provided by the CEO with regards income and expenditure of the financial affairs of the Legatus Group for 2017/2018.

Moved: Mayor Colin Nottle Seconded: Colin Davies **CARRIED**

5.2 Reimbursement Mayor Clark for Murray Darling Association board meeting and strategic planning session.

To be item for next Legatus Group ordinary meeting.

5.3 Legatus Group web-site upgrades

To be item for next Legatus Group ordinary meeting.

6. Charter / Terms of Reference

The meeting noted that the Charter variations notifications had been undertaken.

7. Other Business

Nil.

8. Next Meeting

The next meeting is set down for Friday 3 August 2018 at a venue to be confirmed and to commence at 9.30am prior to the Legatus Group Regional Management Group meeting.

Meeting Closed by the Chair at 11.10 am

4) BUSINESS ARISING NOT OTHERWISE ON THE AGENDA

4.1 Adoption of the 2018 – 2028 Strategic Plan and 2018 - 2019 Business Plan

Reports for Discussion

From: Simon Millcock
Chief Executive Officer

Recommendations: Noting.

Background

All constituent councils endorsed the Legatus Group 2018-2028 Strategic Plan and 2018-2019 Business Plan including the 10-year long term financial plan. Upon receiving confirmation from all constituent councils, the Legatus Group CEO provided copies to all councils and posted these documents on the Legatus Group website.

4.2 Flinders Ranges Council Financial Management Services

Reports for Discussion

From: Simon Millcock
Chief Executive Officer

Recommendations:

- I. That the Legatus Group Audit and Risk Management Committee notes the variation to the starting date to 1 September 2018 for the Flinders Ranges Council to deliver the financial services to the Legatus Group and recommends the Legatus Group confirms the signatories of Colin Davies,**

Darryl Whicker, Julie Rayner and Christine Bowden to the Legatus Group accounts.

- 2. That the Legatus Group acknowledge the support provided for their financial services from the Goyder Regional Council and specifically the professional approach taken by Mr Griff Campbell.**

Background

Following the approval for the Flinders Ranges Council appointment for 3 years starting from 1 July 2018 to provide the financial services to the Legatus Group discussions were held on the hand over process. It was agreed between the Legatus Group CEO, Mr Griff Campbell Finance Manager Regional Council of Goyder and Mr Darryl Whicker Finance and Administration Manager Flinders Ranges that this be delayed until 1 September 2018 to allow the end of year financials to be completed.

The Flinders Ranges Council do not bank with Bank SA which is where the Legatus Group account is held and as such it will require the Legatus Group to approve the following as signatories to the Legatus Group accounts:

- Colin Davies
- Darryl Whicker
- Julie Rayner
- Christine Bowden

5) WORK PLAN

5.1 Update of work plan

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the Legatus Group Audit and Risk Management Committee notes that the work plan is up to date.

Background:

Refer to (Attachment A) which provides the current update of the work plan

5.2 Legatus Group Audit and Risk Management Committee 2017/2018 Report

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the Legatus Group Audit and Risk Management Committee endorses the report.

Background

The Legatus Group Audit and Risk Committee summary of activities undertaken, and recommendations made during 2017-2018 financial year are:

- Conduct of meetings: The committee met on 3 occasions during 2017-2018 with the following attendance:

Date	No of Members Attending
10-Aug-17	5
1-Feb-18	4
20-Apr-18	3

Committee Member	No of Meetings Attended
Mayor Ray Agnew	2
Chairman Kathie Bowman	3
Mayor Colin Nottle	3
Colin Davies	3
Andrew Johnson	1

- Committee Activities: The following table sets out the principal issues addressed by the Committee for 2017-18 year:

Principal Issues Examined	Recommendations to Council
Financial Report 2016-2017	No issues, unqualified audit, adopt
Review of budget against actuals	Noted the need for Legatus Group to endorse 2016-2017 adopted budget against actuals for annual financial report
Review of work plan, internal controls	Work planned developed
Charter	Variations to charter noted, recommended and adopted
Strategic Plan	Requested a review including of long term financial plan undertaken with recommendations for adoption
Budget	Noted the development of 2017-2018 budget did not comply with charter and ensured that 2018-2019 did

6) AGM ELECTION / CHARTER

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the Legatus Group considers amending the charter relating to the election of Chair and Deputy Chairs and appointments to other organisations.

Background

The AGM is being held on Friday 17 August 2018 in compliance with the Charter which requires the AGM to be held no later than 30 September in each calendar year. The AGM requirements include:

- acknowledge the appointment of Board Members;
- elect the Chair and two Deputy Chairs; and
- appoint representatives to other organisations.

The Legatus Group CEO called for nominations for the Chair and Deputy Chairs in compliance with the Legatus Group Charter.

The 2018 South Australian Local Government elections are being held with the close of voting at Friday 9 November 2018. This could mean that those elected to the positions of Chair and Deputy Chair and for any appointments to other organisations at the AGM on the 17 August 2018 are no longer a member of the Legatus Group as of the 9 November 2018. The next Legatus Group Ordinary meeting is being held on 14 December 2018 (5 weeks following the 2018 Local Government elections). This could mean that there may be members of the Legatus Group from the 9 November 2018 who could have or would not have been provided with an opportunity to nominate or vote on the election of the Chair and Deputy Chair positions or appointed to other organisations. Noting a possible scenario that the current Chair and Deputy Chairs are no longer board members after the November Local Government election and that this would mean that for 5 weeks there would be no one overseeing the Legatus Group CEO's performance management as this has been delegated to whoever the current Chair and Deputy Chairs.

Regarding appointments the Charter says the following:

- A Chair and two Deputy Chairs shall be elected at the Annual General Meeting by and from the Board Members.
- The Chair and Deputy Chairs shall hold office from the Annual General Meeting at which they are elected until the next Annual General Meeting.
- If the Chair resigns as Chair, is removed from office as Chair, refuses or is unable to act as Chairperson or is no longer a Board Member, either one of the Deputy Chairs may act as Chair until the election of a new Chair at the next Annual General Meeting.

The Legatus Group CEO was requested to canvas constituent councils on this matter and received a number of responses. Advice was received that a possible notice of motion to defer the election and appointments till the next Legatus Group meeting on 14 December 2018 made sense.

A notice of motion along these lines was received by Mayor Ray Agnew for the AGM and distributed along with other comments which had been received. Further advice indicated that the notice of motion would not be compliant with the charter and that the charter would preclude a postponement of the election and appointments.

Consideration could be that the Legatus Group charter is varied at clause 3.7.1.1 to say 'The AGM will be held not later than 30 September in each calendar year except for the year Local Government elections are held when the AGM will be held no later than the 31 December'.

By amending the current charter to change the AGM date to be held before 31 December in the year that Local Government elections are held it would cover the current scenario. The only impact being that the Legatus Group's annual report for that year may not be distributed to the Constituent Councils in time to be incorporated in their annual reports.

7) ANNUAL FINANCIAL REPORT 2017/2018

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendations:

- 1. That the Legatus Group annual financial statement for the year ending 30 June 2018 presents a fair view of the state of the financial affairs of the Legatus Group and that the board adopt the annual financial statement.**
- 2. That the Legatus Group Audit and Risk Management Committee Chairman provides the representation letter to the Auditor Mr Ian G McDonald FCA.**
- 3. That the Legatus Group retain Mr Ian G McDonald as Auditor for the year end 30 June 2019.**

Background

The Legatus Group Charter sets out at clause:

5.2 Financial Standards and Reporting: The Legatus Group must ensure that the Financial Statements of the Legatus Group for each Financial Year are audited by the Legatus Group's auditor. The Financial Statements must be finalised and audited in sufficient time to be included in the Annual Report to be provided to the Constituent Councils.

6.4 Audit: The Legatus Group must cause adequate and proper books of account to be kept in relation to all the affairs of the Legatus Group and must establish and maintain effective auditing of its operations. The Legatus Group must appoint an Auditor in accordance with the Act on such terms and conditions as determined by the Legatus Group. The audited Financial Statements of the Legatus Group, together with the accompanying report from the Auditor, shall be submitted to both the Board and the Constituent Councils by 30 September in each year.

The Terms of Reference of the Audit and Risk Committee include as part of their role to facilitate reviewing of the annual financial statements to ensure that they provide a timely and fair view of the state of affairs of the Legatus Group. To liaise with external auditors and reviewing the adequacy of accounting, internal auditing, reporting and other financial management systems and practices of Legatus Group on a regular basis.

The Audit and Risk Committee are required to review the Legatus Group annual financial statements to ensure that they present fairly the state of affairs of the Legatus Group and recommend adoption of the annual financial statements to the Board. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.

The Regional Council of Goyder have provided the financial management system for the Legatus Group finances in 2017/2018 through their Finance Manager Mr Griff Campbell. The attached financial report was prepared (Attachment B) and has been provided to the confirmed auditor Mr Ian G McDonald.

Mr Ian G McDonald FCA, Henley Beach South Australia was the independent auditor who was provided with the financial statements for the year ending 30 June 2018 and his statement of independence is attached (Attachment C).

To complete his audit, he requires a representation letter (Attachment D) be provided in connection with the audit of the financial report of the Legatus Group for the year ended 30 June 2018. The purpose is expressing an opinion as to whether the financial report is, in all material respects, presented fairly in accordance with relevant Australian Accounting Standards statutory and other requirements.

Note that the Operating Surplus for 2017/2018 was \$105,422 compared to the budgeted surplus of \$55,879 and that the total Equity as 30 June 2018 was \$821,449.

8) BUDGET 2018 / 2019 UPDATE

Reports for Discussion

From: Simon Millcock
Chief Executive Officer

Recommendation:

- I. That the Legatus Group Audit and Risk Committee notes the 2018/2019 budget variation report and the update provided by the Legatus CEO with regards income and expenditure and recommends that the Legatus Group consider seeking approval of the Constituent Councils to amend the budget for 2018/2019.**

Background

Following the adoption of the 2018/2019 budget the Legatus Group have been advised of the following:

- a) A further \$32,000 allocation from the LGA funding is confirmed with \$25,000 for Regional Capacity Building and top up of \$7,000 from Rubble Royalties.
- b) There could be a possible \$30,000 increase of income due to the increased first round of Rubble Royalties.
- c) RDA YMN have advised that they have not allocated the \$15,000 funding towards the Climate Change Project Officer Northern and Yorke NRM have confirmed their \$15,000 and negotiations are continuing with this matter listed as agenda item at the next Alliance meeting.

The Legatus Group CEO requested Griff Campbell to prepare a revised budget 2018/2019 (Attachment E) based on this information and with the following changes to projects:

- a) That the LGA R&D application for the Eco-Village concept plans be removed from Special Projects and allocated against the Regional Capacity Building Program budget line.
- b) That an LGA R&D Volunteering project be included in the Special Projects budget line.
- c) That a Regional Visitor Information Service Review project be included in the Regional Capacity Building budget line.

Not included in these changes are a possible allocation of \$8,550 for a Legatus Railway Crossing Road Safety Assessment being discussed by the Road and Transport Infrastructure Advisory Committee.

The above changes including the allocation of \$8,550 would result in an operating surplus for 2018/2019 of \$39,000 as opposed to the approved budget of \$57,700.

Noting that the R&D projects will only occur subject to a successful grant application.

The Legatus Group Charter at clause 5.1.6 says:

The Legatus Group must reconsider its Budget in accordance with the Act in a manner consistent with the Act and may with the approval of the Constituent Councils amend its Budget for a Financial Year at any time before the year ends.

9) OTHER BUSINESS

9.1 Relocation of Legatus Group Office

9.2 Expressions of Interest Community Wellbeing Alliance Trial

10) 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 30 November 2018.

Attachments:

A - Legatus Group Work Plan

B - 2017/2018 Financial Report

C - Statement of Independent Auditor

D - Representation letter to Auditor

E - Revised Budget 2018/2019