

AUDIT & RISK MANAGEMENT COMMITTEE MEETING

Friday 30 November 2018 10.00 am

Location: Mt Remarkable Council, Melrose, South Australia

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on Friday 30 November 2018, commencing at 10.00am in the Council Chambers, Mt Remarkable Council, Melrose, South Australia.

Contents

1. Meeting attendance and apologies 3
2. Membership 3
3. Minutes of previous meeting 3
4. Business arising not otherwise of the agenda 4

4.1 Financial management services

1. Work Plan 4

5.1 Update

5.2 Annual review of committees

6. 2018/2019 Budget update 5

1. Equity / Reserves 6
2. Other Business
   1. Auditor / Audits 7
   2. Credit Card CEO 7
   3. SLRP contribution 8
   4. Change of banks
3. Next meeting 8
4. Attachments 9

# MEETING ATTENDANCE AND APOLOGIES

**Meeting Attendance**

**Present**

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**

**In Attendance**

Mr Simon Millcock CEO Legatus Group

1. **APPOINTMENT OF CHAIR / MEMBERSHIP**

The meeting is required to appoint a chair.

Former Chair Ray Agnew was not re-elected as Mayor Yorke Peninsula Council and is no longer a member of the Legatus Group or an elected member of a constituent council and as such was not invited to attend the Audit & Risk Management Committee. Chairman Kathie Bowman was re-elected, and her membership of the committee continues.

Cr Colin Nottle was re-elected to the District Council of Mount Remarkable who will be making their decision regarding their Mayor on 27 November 2018. As such at the time of the agenda being distributed his membership of the board and this committee had not been confirmed. As the agenda is provided to all constituent councils he was informed of the meeting.

The terms of reference provide that the Committee will comprise of five (5) members nominated by the Board and approved by Councils. It must include two (2) professionally qualified officers, selected from staff of councils, current members Mr Colin Davies and Mr Peter Ackland. It must include at least one (1) person who is not a member of the board and who is determined by Councils to have financial experience relevant to the functions of the Audit & Risk Committee and may include elected members of Councils.

**Recommendations:**

1. **That the Legatus Group Audit and Risk Management Committee recommends that the Legatus Group nominations 1 person to the committee who is not a board member who has the required financial experience and nominates any other vacancy.**
2. **That the Legatus Group Audit and Risk Management Committee recommends that the Legatus Group appoint a Chair for the committee.**
3. **MINUTES OF PREVIOUS MEETING**

Refer to Attachment A the unconfirmed minutes of Audit & Risk Management Committee Meeting held 3 August 2018 at the Council Chamber Clare and Gilbert Valleys Council which were tabled at the Annual General Meeting and Ordinary Meetings of the Legatus Group on the 17 August 2018.

The annual report by Mayor Ray Agnew as Chair of the Audit and Risk Management Committee was received and adopted as part of the Legatus Group Annual Reports for 2017/2018. The Legatus Group noted Mayor Agnew’s report.

**Recommendation: That the minutes of the Legatus Group Audit & Risk Management Committee Meeting held on 3 August 2018 be taken as read and confirmed.**

# BUSINESS ARISING NOT OTHERWISE ON THE AGENDA

* 1. **Flinders Ranges Council Financial Management Services**

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendations:**

**For noting.**

The Flinders Ranges Council appointment for 3 years started from1 September 2018

1. **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 B which provides the current update of the work plan.

**5.2 Annual review of all committees**

Reports for Discussion

From: Simon Millcock Chief Executive Officer

**Recommendation: That** **the Legatus Group Audit and Risk Management Committee supports the Legatus Group Board endorsing the Legatus Group CEO’s recommendations.**

**Background**

The Legatus Group has the following committees:

The work plan requires the Legatus Group CEO prepare a report annually to the board on the status of all Legatus Group committees with recommendations on their terms of reference including their length of operation.

|  |  |  |
| --- | --- | --- |
| Committee | Status | CEO’s recommendations |
| Audit and Risk Management Committee | Current and vacancies due to outcome of the 2018 local government elections | Refer to item 2 of agenda |
| Road and Transport Infrastructure Committee | Appointments to the committee were for 2 years 2018 and 2019. Full contingent of members who actively participate in the meetings which were held March. April, August and November 2018. | Continue in current format. |
| CWMS Advisory Committee | Appointments to the committee were for 2 years commencing August 2018 with meeting held in October 2018. Current vacancy for a board member. | Continue and seek board member to join. |

1. **BUDGET UPDATE 2018/2019**

Reports for Discussion

From: Simon Millcock Chief Executive Officer

**Recommendations:**

1. **Notes the budget update**
2. **That the Legatus Group Audit and Risk Management Committee notes that if the Transport and Road Infrastructure Committee recommend funding from this year’s budget of the $35,000 towards projects there is sufficient funds available for this to occur with little impact to the financial sustainability of Legatus Group.**

**Background**

Refer to Attachment C financial reports 1 July 2018 till 15 November 2018.

The 2018/2019 budget variation report with the amended budget for 2018/2019 was noted by both the Legatus Group Audit and Risk Committee and the Legatus Group at their August 2018 meetings which including:

* LGA R&D application for the Sustainability Hub concept plans be removed from Special Projects and allocated against the Regional Capacity Building Program budget line. This project is awaiting the outcome of the PhD Intern project.
* LGA R&D Volunteering project be included in the Special Projects budget line. Since the meetings there has been an application to the Building Better Regions Fund for this project to seek grant funding as such project on hold.
* Regional Visitor Information Service Review project be included in the Regional Capacity Building budget line.

The Flinders Ranges Council have provided a new format in reporting and with reference to the budget variance report as of 15 November the budget is on track and for noting:

* Grants LGA – second payment rubble royalties, outreach services and a further instalment from CWMS project yet to be received and likely to exceed budget income as outlined in the last report to the committee in August.
* Grants NRM – to be confirmed after meeting with their board 26 November 2018 note that expenses will not occur unless income received.
* Reimbursement – waiting on RDAYMN to finalise the report for the emerging leader’s program and to also receive invoice from RDAYMN.
* There will be a reimbursement for the Climate Change PhD Intern re the sustainability hub project which will be offset against expenditure which is not showing in the budget.
* Savings will appear in the office rent item due to smaller officer now being used along with the telephone, / internet with 2 services which have come off contract being terminated.
* CEO and Project Officer pays are read together under both Payroll and Wages & Salary whilst annual leave is calculated as part of the payroll process, the accrual is only adjusted at the year end.
* Consultants & Contractors should also be read together.

The operating surplus for 2018/2019 as outlined in August 2018 is still on track with greater clarity once the final figures for the second payment rubble royalties is calculated and received. The following projects are being discussed by the Legatus Road and Transport Infrastructure Committee which could be considered in 2018/2019 to utilise some of these funds in the equity report although this would require approval from all councils as a budget variation:

* $28,000 towards the Horrocks Highway socio-economic impact report
* $7,000 towards scoping exercise for an unsealed road functionality for the Restricted Access Vehicle Route Assessment Tool

1. **EQUITY/RESERVES**

Reports for Discussion

From: Simon Millcock Chief Executive Officer

**Recommendation: For discussion**

Background:

Following the recommendation from the February 2018 Audit and Risk Committee the Legatus Group meeting in February 2018 supported the development of a draft review of the Legatus Group Long Term Financial Plan with an allowance for the accumulated surplus be set as a minimum of $480,000. The adopted long-term financial plan shows that the reserves movement summary with a closing balance of $858,963 30 June 2028.

The movements in the Equity Report (Attachment C) show that as of 1 July 2018 there was equity of $821,449 (total surplus and revaluations). The anticipated net surplus for 2018/2019 is likely to see this figure be higher by 30 June 2018. The table below provides an update on those projects which are listed in the report which have been acquitted. These funds have not been from the council’s contribution but from external sources along with the Rubble Royalties coming from approximately 50% of the constituent councils who have contributed and all at varying rates.

|  |  |  |
| --- | --- | --- |
| Title | Amount | Update / Acquitted |
| Accumulated Surplus & General | 120,814 | Not tied to any projects |
| Regional Waste Management | 16,273 | Acquitted no current project |
| Roads & Transport | 36,087 | Acquitted and being allocated towards current Stage 2 road deficiency report 2018/2019 |
| Climate Change | 11,693 | Acquitted and being allocated to the YMN Alliance – climate change 2018/2019 |
| Outreach Phase 2 | 132,922 | Acquitted no current project |
| Reform Incentive Risk | 144,000 | Acquitted no current project |
| Regional Capacity Building (Rubble Royalties) | 377,570 | Acquitted no current project  The Rubble Royalties contributions come from 8 of the 15 constituent councils to the Legatus Group. |

Consideration in the final 2 years of the current 3-year action plan for an allocation of some these funds to go towards projects will allow for the leveraging and partnership to gain further project funding from other sources.

1. **OTHER BUSINESS**

**8.1 Auditor/Audits**

Reports for Discussion

From: Simon Millcock Chief Executive Officer

**Recommendation:**

1. **That the Legatus Group CEO seeks quotes from two new independent auditors for consideration by Legatus Group to change its independent auditor.**
2. **That the 2018/2019 audit includes a checklist for computerised information system and laws and regulations plus questionaries for electronic funds transfer banking controls, fraud and error and general journal.**

The current auditor has been the independent auditor for over 8 years and there are some schools of thought that there should be a rotation of independent auditors. Whilst there is not a standard for mandatory audit firm rotation, some belief is that it is necessary for audit independence. A fresh look as the audit may profit from a new perspective.   There could be increased costs incurred by a new procurement process and initiation of a new firm and audit costs due to additional time spent in the first years of a new auditor. There could be some loss of existing knowledge and relationships.

Considerations for items to be included are 5 questionnaires filled out in each year with the audit and they are:

* CIS (Computerised Information System) Environment Checklist
* EFT (Electronic Funds Transfer) Banking Controls Questionnaire
* Fraud and error questionnaire
* General journal questionnaire
* Laws and regulations checklist

**8.2 Credit Card CEO**

Reports for Discussion

From: Simon Millcock Chief Executive Officer

**Recommendation:** **That the Legatus Group Audit and Risk Management Committee recommend the Legatus Group approve that the Legatus Group CEO Simon Millcock is issued with a Legatus Group corporate credit card in compliance with the Legatus Group credit card policy.**

**Background:**

The Legatus Group has a Credit Card policy which says that a credit card may be issued to staff that are employed in an ongoing or fixed term position and who occupy a position that has a regular and demonstrated need to purchase goods and/or services on behalf of Legatus Group.

Credit Cards can only be issued to employees that have been delegated authority to purchase on behalf of Legatus Group. The establishment of any Corporate Credit Card must be authorised by the Board of Management. Applications for credit cards must include details of the need for the facility and proposed use of the credit card. Cardholders will be required to formally acknowledge policy conditions by completing and signing the Credit Card Policy Conditions form. The responsibilities set out in the policy include:

* The Chief Executive Office is responsible for approving credit card applications prior to the authorisation.
* The Credit Cardholder is responsible for complying with the LG Credit Card Procedure and the Financial Institution’s Credit Card Procedures.
* The Chairperson is responsible for the approval and review of Credit Card expenditure.

Since commencing employment, the Legatus Group CEO has ensured that the bulk of payments by Legatus Group are undertaken by electronic transfer via invoices received. These payments are managed by the council handling the financial arrangements for the Legatus Group and on the Legatus Group CEO’s authorisation. Items such as fuel, stationary, small catering for meetings, parking and accommodation have been paid for by the Legatus Group CEO using his personal credit card and then seeking reimbursement which has been on a regular monthly basis by providing the receipts.

* 1. **SLRP Management Fee**

Reports for Discussion

From: Simon Millcock Chief Executive Officer

**Recommendation: That the Legatus Group does not currently impose a policy for a management fee from successful SLRP applications.**

The Murraylands and Riverlands and the Southern and Hills regional organisations of councils have a policy of 1% management fee on successful SLRP applications based on the SLRP contribution only, not the total project cost. They basically hypothecate this for transport related projects and updating their transport plan which is the basis of future SLRP applications. The Limestone Coast and Eyre Peninsula organisations do not take anything.

The Legatus Group had previously taken a percentage which covered the costs of the committee and for assessment / site visits and in recent years this has not been the case.

Given the current state of the Legatus Group budget it would appear that currently there is not a need for a policy of a 1% management fee on successful SLRP applications. This is based on the current contributions from the Rubble Royalties being used to assist with updating the Regional Transport Plan and SLRP application assessments.

**8.4 Change of Bank**

Reports for Discussion

From: Simon Millcock Chief Executive Officer

**Recommendation: That the Legatus Group Audit and Risk Management Committee recommend the Legatus Group approve the transfer of banking from Bank SA to** **The Flinders Ranges Community Bank Agency.**

The Legatus Group have been using Bank SA for the general banking for many years and given the recent transfer of the financial arrangements to the Flinders Ranges Council where there is no Bank SA facilities a transition of the general banking to The Flinders Ranges Community Bank Agency will provide for smoother dealings with a bank.

# NEXT MEETINGS

**Recommendation:** That the Audit and Risk Committee meetings for 2019 are 1 February 2019, 24 April 2019 and 16 August 2019.

1. **ATTACHMENTS**

**A – Minutes Audit and Risk Management Committee 3 Augusts 2018**

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**B – Work Plan**

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**C – Financial Report**

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