

AUDIT & RISK MANAGEMENT COMMITTEE MEETING

Wednesday 30 January 2019 10.00 am

Location: Teleconference

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on Wednesday 30 January 2019, commencing at 10.00am via teleconference.

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# MEETING ATTENDANCE AND APOLOGIES

**Meeting Attendance**

**Present**

Chairman Kathie Bowman District Council of Orroroo Carrieton

Mayor Denis Clark Northern Areas Council

Mr Peter Ackland CEO Port Pirie Regional Council

**Apology**

Nil

**In Attendance**

Mr Simon Millcock CEO Legatus Group

1. **NEW MEMBER AND APPOINTMENT OF CHAIR FOR THE MEETING**

The Legatus Group Ordinary meeting held on 14 December 2018 appointed Mayor Denis Clark to fill the vacant elected member position on the Legatus Group Audit and Risk Management Committee.

This meeting resolved that the appointment by the board of the Chair for the Legatus Group Audit and Risk Management Committee awaits new members being appointed.

There have been no new appointments to the Legatus Group Audit and Risk Management Committee and as such the role of Chair is vacant and the meeting is required to appoint a chair.

Note the terms of reference requires 3 members of the committee to be present to forum a quorum of the Legatus Group Audit and Risk Management Committee.

1. **MINUTES OF PREVIOUS MEETING**

Minutes of Audit and Risk Management Committee Meeting held 30 November 2018 Council Chamber District Council of Mount Remarkable

The meeting was opened at 10.00am on 30 November 2018 at the Council Chamber, District Council of Mount Remarkable, 3 - 5 Stuart Street, Melrose.

1. **Meeting Attendance**

**Present:** In person -Chairman Kathie Bowman and Mr Colin Davies and via telephone Mr Peter Ackland (item 3.6.3 of the Legatus Group Charter allows for telecommunications to constitute a meeting).

**In Attendance:** Legatus Group CEO Mr Simon Millcock

**Apologies:** Nil

1. **Membership / Chair**

The meeting noted that a quorum for the Legatus Group Audit and Risk Management Committee is 3 members. Colin Davies declared a conflict of interest with regards dealing with financial matters due to The Flinders Ranges Council undertaking the financial management for the Legatus Group. He would refrain from comment or voting on financial matters but would remain within the meeting to ensure a quorum was present.

The meeting noted that the former members Chair Ray Agnew and committee member Colin Nottle was not elected as Mayors in the recent council elections. As such neither are board members of the Legatus Group and no longer members of the Legatus Group Audit and Risk Management Committee.

Motion: That Chairman Kathie Bowman chair the meeting.

Moved: Colin Davies Seconded: Peter Ackland **CARRIED**

Motion: That the Legatus Group delegate authority to the Legatus Group Audit and Risk Management Committee to fill the vacancy for the one person who is not a member of the Board and who is determined to have financial experience relevant to the functions of the Audit & Risk Committee.

Moved: Peter Ackland Seconded: Colin Davies **CARRIED**

Motion: That the Legatus Group appoints an elected member of Council to fill the current vacancy.

Moved: Peter Ackland Seconded: Colin Davies **CARRIED**

Motion: That the appointment by the board of the Chair for the Legatus Group Audit and Risk Management Committee awaits new members being appointed.

Moved: Peter Ackland Seconded: Colin Davies **CARRIED**

1. **Confirmation of Previous Minutes**

Motion: That the minutes of the previous Legatus Group Audit and Risk Management Committee meeting held on 3 August 2018 be taken as read and confirmed

Moved: Peter Ackland Seconded: Colin Davies **CARRIED**

1. **Business Arising Not Otherwise on the Agenda**

Noted that The Flinders Ranges Council have commenced the financial management services to Legatus Group.

1. **Work Plan**
   1. Work Plan Update

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

Moved: Colin Davies Seconded: Peter Ackland **CARRIED**

* 1. Annual review of all committees

Motion: That the Legatus Group Audit and Risk Management Committee supports the Legatus Group continuing with the Audit and Risk Management Committee subject to the appointment of replacements to current vacancies and for the continuation of the Road and Transport Infrastructure Committee and the CWMS Advisory Committees.

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

1. **Budget Update 2018/2019**

Mr Colin Davies noted his conflict of interest and refrained from discussing or voting.

The meeting noted the budget update by the Legatus Group CEO and the new format provided by The Flinders Ranges Council.

Motion: That the Legatus Group Audit and Risk Management Committeenotes that if the Transport and Road Infrastructure Committee recommend funding from this year’s budget of $35,000 towards projects there is sufficient funds available for this to occur within this year’s budget.

Moved: Peter Ackland Seconded; Chairman Kathie Bowman **CARRIED**

1. **EQUITY/RESERVES**

Mr Colin Davies noted his conflict of interest and refrained from discussing or voting.

The meeting noted the report by Legatus Group CEO with regards to the previously agreed approach to allow for the accumulated surplus to be set at a minimum of $480,000. The meeting discussed that Rubble Royalty funding will soon cease and that there is no clarity on what funding will be made available from the LGA. The Legatus Group CEO is to provide a report for the next Audit and Risk Management Committee on scenario planning and impact to the long-term financial plan on the removal of rubble royalties and LGA budget allocations.

Motion: That the Legatus Group Audit and Risk Management Committee recommends that the Legatus Group approve the allocation of the Regional Capacity Building surplus as of 30 June 2018 towards road and transport infrastructure and that they seek consideration and recommendations by the Road and Transport Infrastructure Committee.

Moved: Peter Ackland Seconded: Chairman Kathie Bowman **CARRIED**

1. **Other Business**
   1. Independent Auditors

Motions:

1. That the Legatus Group CEO seeks quotes from a minimum of 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.

Moved: Peter Ackland Seconded: Colin Davies **CARRIED**

* 1. Credit Card CEO

Motion: 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 with a $1,000 a month limit and in compliance with the Legatus Group credit card policy.

Moved: Peter Ackland Seconded: Colin Davies **CARRIED**

* 1. SLRP Management Fee

Motion: That the Legatus Group Audit and Risk Management Committee recommend the Legatus Group does not currently impose a policy for setting a management fee for successful SLRP applications but that this be reviewed annually as part of the Legatus Group work plan.

Moved: Colin Davies Seconded: Peter Ackland **CARRIED**

* 1. Change of Bank

Mr Colin Davies noted his conflict of interest and refrained from discussing or voting.

Motion: 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.

Moved: Chairman Kathie Bowman Seconded: Peter Ackland **CARRIED**

* 1. Resignation of Mr Colin Davies

Colin Davies indicated he would tender his resignation as a member of that committee effective at a date to be determined and at the committee’s and Boards discretion, he would remain a member until a suitable replacement is appointed to ensure that a quorum can be achieved at future meetings.

Colin Davies indicated that he would support Darryl Wicker the Finance and Administration Manager of The Flinders Ranges Council to attend future committee meetings to discuss any matters in regard to Legatus Group financial management.

1. **Next meetings**

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

*Meeting Closed by the Chair at 10.45 am*

**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. **Chair/Membership**

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendations: That Ian McDonald be appointed to the Legatus Group Audit and Risk Management Committee for a two-year term.**

**Background:**

The Legatus Group Ordinary Meeting held 14 December 2018 delegated authority to the Legatus Group Audit and Risk Management Committee to fill:

1. The vacancy for one person who is not a member of the Board and who is determined to have financial experience relevant to the functions of the Audit & Risk Committee.
2. The vacancy for a professionally qualified officers from a constituent council other than Port Pirie Regional Council and Flinders Ranges Council.

The Legatus Group CEOs were canvassed for nomination from a professionally qualified officer from a constituent council (apart from Port Pirie and Flinders Ranges) to fill the current vacancy on the committee. Suggestions were also sought on a person who is not a member of the Legatus Group Board that would have financial experience relevant to the functions of the Audit and Risk committee, so that approaches can be made to gain their interest.

Whilst several councils responded, to date there has been no nominations received from a professionally qualified officer from a constituent council. This matter will be an agenda item for the next Legatus Group Management Group meeting on 1 February 2019.

A recommendation was received to approach the previous Legatus Group Independent Auditor Ian McDonald FCA as his services as the Independent Auditor are not being extended (refer to item 4.2 of the agenda). Ian McDonald was contacted and advised he would be happy to be considered for the Audit Committee and his fee for each meeting by teleconference/Skype would be $300 (plus GST).

**4.2 Auditor**

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendation: That the Legatus Group Audit and Risk Management Committee recommend that the Legatus Group appoint Dean Newberry & Partners as their independent auditors for the 2018/2019 financial year.**

**Background:**

The Legatus Group Ordinary Meeting held on 14 December 2018 noted the audit committee’s motions regarding seeking quotes from a minimum of two new independent auditors for consideration by the Legatus Group to change its independent auditor.

The Legatus Group CEOs were canvassed to ascertain who their current independent auditors are and following 3 firms were identified:

1. Ian McDonald (current Legatus Group independent auditor)
2. Dean Newberry & Partners
3. Galpins Accountants Auditors and Business Consultants

A quote was requested from both Dean Newberry & Partners and Galpins.

Responses

Dean Newberry & Partners

Thank you for the opportunity to submit a quote to undertake the external audit of Legatus Group for the financial year ending 30 June 2019.  We have undertaken an assessment of the information provided to formulate the quote below.

Our fixed quote to undertake the 2018/19 financial year audit is $2,100 (GST Excl.) plus mileage costs. Mileage costs will be invoiced using applicable Australian Tax Office mileage rates. We will limit the number of vehicles to a maximum of two vehicles per attendance.

Our above fee also includes the following:

* Fee includes all office, secretarial, and other like costs and disbursements.
* We will annually issue a Tax Invoice following the signing of the annual Audit Opinion for the respective financial year, as quoted above for audit services.
* The above quoted fee is fixed with on the proviso that the Legatus Group maintain at all times suitably experienced staff for the 2018/19 financial year to prepare the annual financial statements and working papers for external audit.

Should it be required that an audit representative attend Board or Audit Committee meetings, this may attract an additional cost. Any additional costs will be discussed and agreed with the Administration prior to being charged.

Jim Keogh will be the Lead Audit Partner on this Engagement. Jim has extensive experience undertaking the external audit of not-for-profit entities being a Senior Audit Partner of Dean Newbery & Partners (DNP). Jim is currently the auditor for seven Local Government clients and a number of Council subsidiaries.

I will assist Jim in undertaking the audit along with Whitney Sandow (Audit Officer).  Our audit team assembled is highly experienced and able to provide a high quality, value added audit service to the Legatus Group.

Our team will add value and experience to the field work component of the audit and ensure that it is undertaken efficiently and with as minimal disruption to the Administration as possible.

Both Jim and I will be the key contacts for this audit and will to attend to any queries or matters that arise.

If you require any further information, please don’t hesitate to contact me.

Regards Stuart Simpson Audit Client Manager

Galpins

Three approaches were made with no response at the time of preparing this report.

* 1. **Banking / Credit Card**

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendations: That the Legatus Group Audit and Risk Management Committee notes the report.**

**Background:**

The Legatus Group Ordinary Meeting held 14 December 2018 approved:

1. That the Legatus Group CEO Simon Millcock be issued with a Legatus Group corporate credit card with a $1,000 a month limit and in compliance with the Legatus Group credit card policy and that a report be provided on the expenditure as an agenda item at Legatus Group meetings.
2. The transfer of banking from Bank SA to The Flinders Ranges Community Bank Agency.

The appropriate paperwork is being submitted.

1. **WORK PLAN**

**Nil update**

1. **BUDGET UPDATE 2018/2019**

Reports for Discussion

From: Simon Millcock Chief Executive Officer

**Recommendations: That the Legatus Group Audit and Risk Management Committee notes the budget update and the report on the expression of interest for the delivery of a Northern & Yorke Coastal Management Action Plan.**

**Background**

Financial reports 1 July 2018 till 3 January 2019











**Income** is on track with the following items yet to be received:

(a) Rubble Royalties 2nd payment total to be $137,640 – yet to be invoiced

(b) CMWS reimbursement approx. $15,000 – yet to be invoiced

(c) Department Industry and Innovation and Science $16,000 - invoiced

(d) Northern and Yorke NRM $15,000 – invoiced

As outlined in previous reports income will exceed the budget and this will result in exceeding the forecasted budget profit.

**Expenses** are on track with a number of items yet to be finalised and as such the budget variance report shows approximately 30% expended for the year to date. The major item re expenses will be the consultants / contractors. Note that using the new reporting system established by Flinders Ranges that consultants / contractors should be read together.

The Legatus Group Ordinary Meeting held 14 December 2018 approved a maximum of $7,000 from the 2018/2019 budget for a scoping exercise approach received by AARB for developing a grant application for an unsealed road functionality for the Restricted Access Vehicle Route Assessment Tool and this will need to be included as an expense.

There will be 3 PhD Interns with total expenses of $78,000 made up of:

1. Sustainability Hub $29,000 – ($15,000 allocated from Legatus Group climate change)
2. Coastal Management $26,000 – ($15,000 allocated from NRM climate change)
3. Regional sludge report $23,000 – ($11,500 allocated from LGA CWMS grant)

Of this $78,000 there will be rebates of $39,000 which will be received after projects are completed and as such this income may or may not appear in 2018/2019 financial report.

Northern & Yorke Coastal Management Action Plan

There may be a new project to include into the 2018/2019 financial year subject to a successful expression of interest recently submitted. This will not impact financially on the organisation.

The Legatus Group were invited to submit an expression of interest by NRM for the delivery of a Northern & Yorke Coastal Management Action Plan. This was due to the work the Legatus Group have been doing for several years on this topic and their role in the Yorke Mid North Alliance for the Climate Change Sector Agreement.

As there is insufficient time available for the Legatus Group CEO to deliver this project and in keeping with the Legatus Group procurement policy, three organisations who have been working with the Legatus Group in the past on climate change were invited to submit a proposal relating to this expression of interest via a consortium approach.

Written quotes were received from these consultants and if successful the Legatus Group would also need to employ a project officer and look at contracting an ecologist. This project would be delivered at no cost to the Legatus Group, as the grant would cover all expenses with an allocation of funds towards administration by the Legatus Group.

Given the requirments for tenders the Legatus Group CEO has advised the Legatus Chair and Deputy Chairs along with the Legatus Group Coastal Council CEOs of this approach. If this expression of interest is successful it is likely to commence before the next Legatus Group meeting.

As reported in December 2018 at the Legatus Group meeting the NRM have approved $15,000 for the Legatus Group to contract AMSI for a PhD Intern research project to focus on the synergies across the work NRM, SAROC, Legatus Councils, communities and other organisations for coastal matters. A contract between Legatus group and AMSI will result in John Watson commencing on this project in February. He will form part of the project team if the Legatus Group are successful with the expression of interest.

1. **OTHER BUSINESS**

**7.1 Audit Committee Exemption**

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendations: To be discussed**

**Background:**

The Legatus Group CEO received the attached letter from The Barossa Council.

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Legatus Group Charter: 6.5 Audit Committee

The Legatus Group must establish an Audit and Risk Management Committee to be comprised of five (5) persons nominated by the Legatus Group and approved by the Constituent Councils.

The members of the Audit and Risk Management Committee:

* must include two (2) professionally qualified officers, one of each from the staff of the Constituent Councils;
* must include at least 1 person who is not a member of the Board and who is determined by the Constituent Councils to have financial experience relevant to the functions of the Audit and Risk Management Committee;
* may include elected members of the Constituent Councils;
* must have regard to the Act in performing their duties.

The term of appointment of a member of the Audit and Risk Management Committee shall be for a term not exceeding two (2) years at the expiry of which such member will be eligible for reappointment.

There have been previous efforts to vary the charter to allow for an exemption under the act (see below) but Mount Remarkable Council did not resolve to support.

The Act says Part 6. 18—Exemption (1) A regional subsidiary may apply to the Minister for an exemption from the requirement in clause 30 of Schedule 2 of the Act to establish an audit committee. (1a) An application for an exemption under sub regulation (1) may only be made if each constituent council of the regional subsidiary to which the application relates has resolved that the application be made. (1b) The Minister may, by written notice to the subsidiary, grant an exemption on an application under sub regulation (1). (2) An exemption under sub regulation (1b) may be subject to conditions specified by the Minister. (3) The Minister may, by subsequent written notice to the regional subsidiary, vary or revoke an exemption, or a condition imposed in relation to an exemption. (4) The chief executive officers of the constituent councils must ensure that a written notice given to a regional subsidiary under this regulation is published on a website (or websites) determined by the chief executive officers.

# NEXT MEETINGS

**Recommendation:** That the next Audit and Risk Committee meetings are Wednesday 24 April 2019 and Friday16 August 2019 venue to be confirmed.