

AUDIT & RISK MANAGEMENT COMMITTEE MEETING

Thursday 22 August 2019 3.30pm

Location: Teleconference

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on Thursday 22 August 2019, commencing at 3.30pm via teleconference: your computer, tablet or smartphone  
<https://global.gotomeeting.com/join/374844717>   
  
You can also dial in using your phone.  
Australia: [+61 2 9087 3604](tel:+61290873604,,374844717)   
  
Access Code: 374-844-717

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# MEETING ATTENDANCE AND APOLOGIES

**Meeting Attendance**

**Present**

Chairman Kathie Bowman (Chairman) District Council of Orroroo-Carrieton

Mayor Denis Clark Northern Areas Council

Mr Peter Ackland CEO Port Pirie Regional Council

Mr Colin Byles CEO Northern Areas Council

Mr Ian McDonald Independent

**Apology**

Nil

**In Attendance**

Mr Simon Millcock CEO Legatus Group

1. **MINUTES OF PREVIOUS MEETING**

**Recommendation: That the minutes of the Legatus Group Audit & Risk Management Committee Meeting held on 30 April 2019 be taken as read and confirmed.**

Chairman Kathie Bowman provided a report with the agenda to the Legatus Group meeting on 31 May 2019 which contained the minutes (listed below) of the Audit and Risk Management Committee meeting 30 April 2019. The following motions were carried by the board:

1. That the Legatus Group appoints Chairman Kathie Bowman as the Chair of the Legatus Group Audit and Risk Management Committee.
2. That the Legatus Group appoints Colin Byles CEO Northern Areas Council to the Legatus Group Audit and Risk Management Committee.
3. That the Legatus Group notes:
   1. That it is unable to seek an exemption from the Minister for having an audit committee.
   2. That the Legatus Group Audit and Risk Management Committee approved the report on its work plan for 2018/2019.
4. That the Legatus Group CEO is authorised to enter a contract with the SA Government through their Department of Human Services for the delivery of a Brighter Futures program/s in 2019/2020 and that an allocation of $5,000 is approved from the Legatus Group budget for this contract.

The meeting was opened at 10.00am on 30 April 2019.

1. **Meeting Attendance**

**Present:** Via telephoneChairman Kathie Bowman, Mayor Denis Clark, Mr Peter Ackland and Mr Ian McDonald. (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 and they welcomed Mr Ian McDonald as the Independent member appointed by the Legatus Group at their meeting 15 February 2019.

Motion: That Chairman Kathie Bowman chair the meeting.

Moved: Mayor Clark Seconded: Peter Ackland **CARRIED**

1. **Confirmation of Previous Minutes**

Motion: That the minutes of the previous Legatus Group Audit and Risk Management Committee meeting held on 30 January 2019 be taken as read and confirmed

Moved: Mayor Clark Seconded: Peter Ackland **CARRIED**

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

**4.1 Exemption from having an audit committee**

The meeting noted the report by Legatus Group CEO that an application for exemption cannot occur due to the letter from District Council of Mt Remarkable Council that advised they were not supportive of an exemption. The meeting discussed that this is a matter for the board to consider.

**4.2 Chair / Membership**

Motion: That the Legatus Group Audit and Risk Management Committee recommend the appointment of Chairman Kathie Bowman as Chair of the committee.

Moved: Mayor Clark Seconded: Ian McDonald **CARRIED**

Motion: That the Legatus Group Audit and Risk Management Committee notes the current vacancy of a professionally qualified officer from a constituent council other than Port Pirie Regional Council and Flinders Ranges Council and request that the Legatus Group recommend a Legatus Group CEO be appointed to this position.

Moved: Mayor Clark Seconded: Chairman Bowman **CARRIED**

**4.3 Banking Credit Card**

General discussion including the Legatus Group CEO capturing receipts on mobile phone so they can sync with Xero program.

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

Moved: Peter Ackland Seconded: Ian McDonald **CARRIED**

1. **Work Plan**

The Legatus Group Audit and Risk Management Committee work plan for 2018/2019 was presented.

Motion: That the Legatus Group Audit and Risk Management Committee approves the report on its work plan for 2018/2019.

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

1. **Budget Update 2018/2019**

General discussion on the issues associated with the hand over and changes in financial officers regarding where the amounts are entered, and that the committee seeks this to be addressed in consultation with Flinders Ranges Council. Noted that there are now steps in place which allow full access to the files and full transparency with all invoices electronically and documented against transactions.

Motion:That the Legatus Group Audit and Risk Management Committee notes the budget update and the report which will include the Northern and Yorke Coastal Management Action Plan and Youth into Volunteering projects.

Moved: Mayor Clark Seconded: Ian McDonald **CARRIED**

1. **Business Plan and Budget 2019/2020**

The Legatus Group CEO provided the 2019/2020 draft business plan and key budget assumptions with the agenda and a copy of the notes he had provided to the Finance Officer re the budget. It was noted that the Finance Officer had indicated the draft budget would be available prior to the meeting and that on the morning of meeting advised this would not be possible.

Motion: That the Legatus Group Audit and Risk Management Committee notes the draft 2019/2020 business plan will not be distributed to constituent councils until the committee has been able to see the draft budget and make comment.

Moved: Chairman Kathie Bowman Seconded: Ian McDonald  **CARRIED**

1. **Other Business**

**8.1 CEO’s vehicle**

Mayor Denis Clark raised the topic of replacement of the CEO’s vehicle and the meeting noted that in April 2018 the committee had discussed a review be held at this time in 2019. The meeting agreed for the Legatus Group CEO to investigate options for changeover of the current vehicle and provide a report.

**8.2 Brighter Futures Finders Ranges / Orroroo region**

The Legatus Group CEO had provided a report with the agenda and general discussion was undertaken.

Motion: That the Legatus Group Audit and Risk Management Committee recommend the allocation of $5,000 from the Legatus Group budget towards the delivery of a Brighter Futures Flinders Ranges / Orroroo region program.

Moved: Mayor Clark Seconded: Peter Ackland **CARRIED**

1. **Next meetings**

The next meeting to be clarified with the committee noting that the audit committee are required to ensure that the financial statements present fairly the state of affairs of the Legatus Group including the adoption of the annual financial statements to the Board.

*Meeting Closed at 10.57 am*

# BUSINESS ARISING NOT OTHERWISE ON THE AGENDA

* 1. **Regional Capacity Funding / 2019/2020 Budget and review of Legatus Group Finances**

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendations: That the Legatus Group CEO, Finance Officer and two members of the Legatus Management Group undertake** **an initial assessment of the long-term financial coverage of the Legatus Group and provide a report to the next Audit and Risk Management Committee.**

**Background**

The Legatus Group adopted the 2019/2020 business plan and budget for 2019/2020 on 5 July 2019 at a special meeting of the Legatus Group. The business plan and budget are part of the Legatus Groups Strategic Plan and three-year Action Plan which have been endorsed by the constituent councils and include the long-term financial plan. They had been distributed to the Audit and Risk Committee for comment.

The Legatus Group meeting of 31 May 2019 approved the motion that the Legatus Group undertake an assessment during 2019/2020 of the degree of long-term financial coverage required in order that a position can be put to the Board and constituent councils prior to the formation of the 2020/2021 financial documents.

The core Legatus Groups income comes from membership fees and an allocation from the LGA titled Regional Capacity Fund and these funds come from two sources:

1. An amount that is titled Base Level which is an equal amount provided to all regional LGAs. The LGA have committed to this funding up to 2020/2021.
2. Top up Rubble Royalties which is based on each region council’s contribution to the Rubble Royalties and as such the amount differs across regional LGAs. The amount is dependent on the amount paid which varies from year to year. This income stream will cease after the next payment due in late 2019 which is for the January – June 2019 period.

One of the conditions of Regional Capacity Fund is that funding approved in one financial year may be extended one further year. However, if the project is not commenced in the second year, the advisory committee must be consulted with an application for a further “roll over”.

The Legatus Group CEO provided a report to the LGA including a request for approval to carryover the amount of $20,038 from the 2017-2018 Regional Capacity Fund allocation. The report noted that there was a significant increase of close to 20% of funds received from the rubble royalties for the Legatus Group in 18/19 which had not been budgeted for. The report noted there was a carryover of $311,532 from the 2018-2019 Regional Capacity Fund allocation.

There has been no formal response from the LGAs advisory committee regarding the roll over although an email from their Executive Officer - Local Government Research & Development Scheme advising; *That it was unlikely the advisory committee would want to claw money back. Due to the rules set by the board there is an obligation to “consult” the advisory committee with “an application” for a further rollover and that a letter setting out the circumstances should be sufficient.*

Before the payment of Regional Capacity Fund allocations in each new financial year, a region must provide their report for the previous year and formulate an indicative scope of project work and budget; to be submitted to the LGA Secretariat for noting. With an opportunity to review the scope during the year and feedback to be provided by the Secretariat. The Legatus Group CEO has used the annual business plan and budget as the indicative scope of project work and the first instalment invoiced was:

1. Base level $41,221 (GST exclusive)
2. Top up Rubble Royalties paid till January 2019 $152,725 (GST exclusive) – rounding down adjustment $345.12 (GST exclusive) = $152,380.36 (GST exclusive)

Total of invoice $193,601.36 (GST exclusive)

It would be expected that the 2nd payment of Top up Rubble Royalties could be in the $100,000 - $120,000 range. The 2019/2020 Legatus Group budget shows an income amount of $140,800 from the Regional Capacity Fund and as such the income for 2019/2020 will be closer to $300,000.

There is the requirement for the $331,570 to be allocated to projects that are completed or commenced in 2019/2020 and that if they are not completed a letter of request will be required for their roll over.

**3.2 CEO’s vehicle**

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendations:**

1. **That the** **Legatus Group Audit and Risk Management Committee recommend that the Legatus Group approve the purchase of the MY18 Holden ZB Commodore Calais Liftback via the quote received from Mid North Motor Company Pty Ltd dated 5 August 2019.**
2. **That the Legatus Group Audit and Risk Management Committee recommend that the Legatus Group trade in the current CEOs vehicle in conjunction with the purchase from the** **Mid North Motor Company Pty Ltd.**

The CEO’s vehicle has undertaken over 194,000 kilometres and following the last Audit and Risk Management Committee meeting the CEO was requested to investigate options for the changeover of the vehicle.

The Legatus Group CEO has a further 34 months on his contract, and it would be anticipated this would equate to a further 180,000 – 200,000 kilometres.

An approach was made to the Mid North Motor Company where the current vehicle is serviced. They have provided the 3 attached quotes for a 2018 build Holden Calais and Calais-V, plus 2019 Mazda 6 GT Sedan.  Whilst also being advised that they have received extra assistance from the Holden Fleet Department for the 2018 built vehicles as the 2019 model for ZB Commodore is currently not available.



Each quote contains 12 months registration and excludes stamp duty on the assumption that the vehicle will be exempt in line with SA local government vehicle registrations. The two Holden vehicles include SA Government Fleet and 2018 aged stock bonuses.

Regarding the current 2015 Holden Calais they have offered a trade in valuation of $6,500.00.  This value is based on current market conditions and the forecast odometer reading of the vehicle at time of delivery, plus prices obtained from wholesale dealers to purchase the vehicle.

As such the cost for the MY18 Holden ZB Commodore Calais Liftback would be $25,311 The 2019/20 budget has a changeover of vehicle - new price $40,000, estimate trade in value $5,000 and as such the recommendation would fall well below the budget.

1. **WORK PLAN**

**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:

The current update of the work plan is attached.



1. **ANNUAL AUDITED FINANCIAL REPORT 2018/2019**

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 retain Dean Newberry and Partners as Auditors for the year end 30 June 2020.**

**Background**

**The 2018/2019 Annual Financial Report will be provided to the committee prior to the meeting.**

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.

6.3.2 The Annual Report must incorporate the audited financial statements of the Legatus Group for the relevant Financial 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 had provided the financial management system for the Legatus Group finances and these were then taken over by The Flinders Ranges Council. The attached financial report was prepared and has been provided to the confirmed auditors Dean Newberry and Partners. Dean Newberry & Partners are the independent auditor who were provided with the financial statements for the year ending 30 June 2019 and the statement of independence.

To complete the audit, they required a representation letter be provided in connection with the audit of the financial report of the Legatus Group for the year ended 30 June 2019. 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 2018/2019 was $179,372 and that the total Equity as 30 June 2019 was $1,000,821.

1. **2019 / 2020 Business Plan and Budget Update**

**Reports for Discussion**

From: Simon Millcock

Chief Executive Officer

**Recommendation:**

1. **That the Legatus Group Audit and Risk Management Committee notes the 2019/2020 budget update report provided by the Legatus CEO with regards income and expenditure and supports a revised budget being prepared in consultation with the assessment of the long-term financial coverage of Legatus Group.**
2. **That the Legatus Group Audit and Risk Management Committee would support the Legatus Group if it seeks to declare an expression of interest to the South Australian Regional Organisation of Councils to deliver a South Australian Draft Regional Waste Management Strategy by 30 June 2020 if this is at no financial cost to the Legatus Group.**

**Background**

Following the adoption of the 2019/2020 budget the following have been identified:

1. The need to allocate – commit all of the 2017/2018 and 2018/2019 LGA Regional Capacity Funding.
2. Likely increase of approximately $160,000 income from the 2019/2020 LGA Regional Capacity Funding.
3. There have been 2 LGA R&D funding applications submitted total income $44,000 plus income of $5,000 from other regional LGAs.
4. Confirmation still to occur from NRM of $15,000 grant for 2019/2020 income.

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.

The South Australian Regional Organisation of Councils (SAROC) has released its Strategic and Business Plans and asked that it be placed on the Legatus Group agenda, and for discussions to be held as to whether any regional association would like to take the lead on any of the actions identified in the Business Plan. If there is any interest, then they are required to provide a report with a funding request to the September 19 SAROC meeting.

One the projects in the SAROC 2019/2020 Business Plan seeks to develop a SA regional waste management strategy to enable the coordination of waste and recycling infrastructure across regions. This would require a draft regional waste management strategy completed for consultation purposes by 30 June 2020. The SAROC budget has allowed a $30,000 allocation which would need to also secure funding from the State Government to support the implementation of the strategy and the LGA have identified funding opportunities from Green Industries SA.

The Legatus Group 2019/2020 Business Plan includes regional waste management as one of the goals. The other Regional Organisations of Council are comfortable with Legatus Group taking the lead, given the role Legatus Group is also having with wastewater management.

The Legatus Group Management Committee discussed this matter and recognised that the funding allocation from SAROC budget would not be sufficient for the strategy and the need to gain other funding. This meeting was supportive of the Legatus Group taking the lead and the desire to have the Legatus Group also develop a regional action plan. They suggested that an approach be made to Jo-Buchannan from RDA YMN and discussions on possible interest from Nystar and work they are doing with Port Pirie Regional Council.

The Legatus Group CEO will provide a report to the Legatus Group meeting 30 August 2019.

The attached financial reports are from 1 July - 31 July 2019.



1. **OTHER BUSINESS**

**7.1 Relocation of Legatus Group Office**

**Reports for Discussion**

From: Simon Millcock

Chief Executive Officer

**Recommendation:**

1. **That the Legatus Group Audit and Risk Committee notes the report and is supportive of the Legatus Group CEO investigating options to allow him to work from home and to provide a report for the Legatus Group consideration.**

**Background**

The Legatus Group have a current lease for office space at 155 Main North Road Clare and in 2018 moved into a smaller office with access to a hot desk. This allowed RDA YMN to have all of its officers housed in the one building. This office was used by the Legatus Group CEO and the Project Officer if needed had access to a hot desk within the same building. The building that the office and hot desk were situated in then was condemned due to white ants and the building eventually demolished. This caused a move into another office space which is larger than the current requirments for the Legatus Group. The Legatus Group CEO has been able to negotiate initially a reduced rate on the larger office space although this is unlikely to remain after September 2019.

The Legatus Group CEO is investigating options as it is apparent that there is no need for Legatus Group to have shop front along with the following points:

* The need for having an office in Clare for housing Project Officers can restrict the ability to attract what are predominately part-time short-term contracts.
* There are very few meetings held in the Legatus Group office or at 155 Main North Road with the majority being held in relevant councils.
* There is also a number of hot desk options available for project officers and or the Legatus Group CEO.
* The Legatus Group CEO would spend on average 2 days per week away from the office.
* There are no real benefit in collaborations with RDA and NRM as these partnerships occur through other means and being physically in separate buildings means there is not daily interactions.
* There is also little need for the land line telephone system.

The Legatus Group CEO has built a home in Mintaro which includes an office and is currently waiting on NBN to be connected. This is likely to occur in November 2019 although NBN is unable to confirm if the property will be able to access the service. There have been significant savings made to the costs of rental and telecommunications since the Legatus Group CEO commenced and by working from home these could be further reduced and allow for increased productivity and reduction in travel.

**7.2 Memorandums of Understanding with Universities**

**Reports for Discussion**

From: Simon Millcock

Chief Executive Officer

**Recommendation: That the Legatus Audit and Risk Management Group recommends that the Legatus Group approves the Legatus Group CEO finalising Memorandums of Understanding with Adelaide University, Flinders University and University SA.**

**Background**

There have been a series of PhD Interns through the Australian Government funded APR Intern program which resulted in 3 research projects commencing in 2018/2019 with each University. The Legatus Group meeting 31 May 2019 endorsed progressing for consideration of draft Memorandums of Understanding (MoU) with Universities. The Legatus Group CEO has undertaking continued discussions with the following Universities:

* **Adelaide University** - Dr. Melissa Nursey-Bray Associate Professor, Head of Department

Geography, Environment and Population Director, Adaptation, Community Environment (ACE) Research Group. Focus area Sustainability and Community Development.

* **Flinders University** – John Spoehr Pro-Vice Chancellor - Research Impact at Flinders University and Director of the Australian Industrial Transformation Institute and Laki Kondylas Head of Strategic Projects, New Venture Institute. Focus area Innovation and Creative Industries.
* **Uni SA** - Prof. Chris Chow - Professor of Water Science and Engineering Director: Natural and Built Environments Research Centre Associate Head of School (Research) School of Natural and Built Environments Focus area of Waste / Wastewater.

Since 31 May 2019 two research projects have commenced for the Legatus Group with Adelaide University, they are the Youth into Volunteer and Sustainability Trail. The Youth into Volunteering is funded through the Building Better Regions Fund and the Sustainability Trail is funded by the Adelaide University.

Discussions have continued through the Yorke and Mid North Alliance for a research project via Adelaide University for the Reconciliation Action Plan along with Flinders University on a possible APR Intern project for data gathering on the Creative Industries.

The MoU’s will provide a formal document describing the broad outlines of the agreements that both parties have reached through negotiations. These will not be a legally binding documents but will signal the intention of both parties to move forward with contracts for research projects.

This fits with the Yorke Mid North Regional Plan Focus Area 8 of Younger people living, working and investing in the region and Item 3.1.g of the Legatus Group current Business Plan to support opportunities for greater partnerships through research organisations such as Universities to increase opportunities to build Social Infrastructure, Community Services and Sustainable Economic Development.

This will assist with the Legatus Group procurement policy as the Legatus Group may, having regard to its Procurement Principles and any other factors considered relevant, in its absolute discretion determine to utilise one or more of the following procurement methods:

* Direct Purchasing: This is where LG purchases from a single source, without first obtaining competing bids.
  + This method may be suitable for low value, low risk goods and services, and where the supplier already has a successful service history with the Council. Current figure is for amounts less than $20,000.
* Quotations (Informal): This is where Legatus Group obtains quotations from prospective suppliers.
  + Generally, a minimum of two to three quotations are sought.
  + This method may be suitable for low value, low risk goods and services. Current figure is between $20,001 and $50,000.

The University MoUs will be designed to provide a partnership approach to research that is designed to be cost effective and provide real life projects whilst increasing the awareness of local government and the region for the Universities. The Universities have a number of different programs which they can access for research which can in many cases be at low or no cost to the Legatus Group. This approach has started to see constituent councils and regional partners taking up opportunities and has a direct link with the Port Pirie University Hub and other programs being delivered in the region.

It will also allow the Universities to take the responsibility of managing contracts and human resourcing issues taking away some of the administrative time of the Legatus Group.

# NEXT MEETING

**Reports for Discussion**

From: Simon Millcock

Chief Executive Officer

**Recommendation:** The next meeting of the Audit & Risk Management Committee to be set down for Friday 8 November 2019.