

AUDIT & RISK MANAGEMENT COMMITTEE MEETING

Friday 1 November 2019 9.30am

Location: Teleconference

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on Friday 1 November 2019, commencing at 9.30am via teleconference.

Dial: 1800064278

PIN: 21530340

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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 Ian McDonald Independent

**Apology**

Mr Colin Byles CEO Northern Areas Council

**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 22 August 2019 be taken as read and confirmed.**

Chairman Kathie Bowman provided a report with the agenda to the Legatus Group meeting on 30 August 2019 which contained the minutes (listed below) of the Audit and Risk Management Committee meeting 22 August 2019. The following motions were carried by the board:

1. 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 and the trade in the current CEOs vehicle in conjunction with the purchase from the Mid North Motor Company Pty Ltd.
2. That the Legatus Group establish a motor vehicle change over policy.
3. That the Legatus Group supports a revised budget being prepared in consultation with the assessment of the long-term financial coverage of Legatus Group.
4. That the Legatus Group notes the work plan is up to date.

The meeting was opened at 3.45pm on 22 August 2019.

1. **Meeting Attendance**

**Present:** Via telephoneChairman Kathie Bowman, Mr Peter Ackland, Mr Colin Byles 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:** Mayor Denis Clark

1. **Confirmation of Previous Minutes**

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

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

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

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

The meeting noted the report by Legatus Group CEO and the motion by the Legatus Group meeting 31 May 2019 for an assessment to be made of the Legatus Group Finances. The meeting discussed the need for the Legatus Group to consider projects for funding in the near future and that both CEO’s Colin Byles and Peter Ackland were willing to assist in the initial assessment.

Motion: 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.

Moved: Chairman Bowman Seconded: Colin Byles **CARRIED**

**3.2 CEO vehicle**

The meeting noted the quotes received and that the MY 18 Holden ZB Commodore quote was $31,811.04 and that the trade in amount of $6,500 whilst low but based on the kilometres travelled and age of the current vehicle and as such this quote was reasonable.

Motion:

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.
3. That the Legatus Group establish a motor vehicle change over policy.

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

1. **Work Plan**

The Legatus Group Audit and Risk Management Committee work plan for 2019/2020 was presented.

Motion: That the Legatus Group Audit and Risk Management Committee notes the work plan is up to date and that it is to include; (1) review on internal controls and (2) review of long-term financial coverage.

Moved: Colin Byles Seconded: Ian McDonald **CARRIED**

1. **Annual Audited Financial Report 2018/2019**

General discussion held on the higher than required level of reserves and the need for the agreed assessment of the long-term financial coverage.

Motion:

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.

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

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

The Legatus Group CEO provided the financial report for the period 1 – 31 July 2019 and a report on the likely increases to the budget’s income for 2019/2020.

Motion:

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.

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

1. **Other Business**

**7.1 Relocation of Legatus Group Office**

The meeting noted that this report and recommendation was not a matter for the Audit and Risk Committee and should be presented to the Legatus Group.

**7.2 Memorandum of Understanding with Universities**

The meeting noted that this report and recommendation was not a matter for the Audit and Risk Committee and should be presented to the Legatus Group.

1. **Next meetings**

The next meeting to be held Friday 8 November 2019

*Meeting Closed at 4.15pm*

# BUSINESS ARISING NOT OTHERWISE ON THE AGENDA

* 1. 2019/2020 budget and review of Legatus Group finances

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendations:**

* 1. **That the Legatus Group Audit and Risk Management Committee recommends to the Legatus Group they seek approval from the Constituent Councils to amend the 2019/2020 budget as set out in the updated draft 2019/2020 budget.**
  2. **That the Legatus Group Audit and Risk Management Committee recommends to the Legatus Group they note the level of carry over reserves and accumulated surplus and requests that the Legatus Management Group consider recommendations that will actively add value to the region by developing regional / sub regional projects for consideration by the Legatus Group prior to the 2020/2021 budget recommendations to Constituent Councils.**

Background

Following the motion by the Legatus Group to support a revised budget in consultation with the assessment of the long-term financial coverage of the Legatus Group a working party was established including Legatus Group CEO Simon Millcock, CEO’s Colin Byles and Peter Ackland and Legatus Group Finance Officer Sean Cheriton.

Simon Millcock provided a report to the working group as a midterm review of the 2019/2020 budget which indicated as of 9 October 2019 the current confirmed and expected income and expenditure along with an update of the carry over reserves and accumulated surplus available at 1 July 2019 as per audited report. Attached is the report provided.



It was noted that the income for 2019/2020 is significantly understated in the current budget due to the combined totals of the LGA Rubble Royalties and Capacity Building Grants likely to be significantly higher than budgeted. There is no identified project expenditure for these funds in 2019/2020 and 2018/2019 funds from this income stream need to be expended in 2019/2020.

There are also three new projects being funded through the LGA which will not have any impact on the budget bottom line as this project funding will be expended.

The main focus for discussion by the working group was the $834,463 carry over reserves and accumulated surplus. The working group noted that a carryover total of $426,894 included previous projects which had been acquitted and could be consolidated into general reserve as per previous observations by the Audit Committee and the Board. Of these funds there was the need to include a small carryover from 2018/2019 for the Northern and Yorke Coastal Management Action Plan.

It was noted that the remaining $407,569 is required to be expended as per the agreement with the LGA for Rubble Royalties and Capacity Building Grants. These funds are required to be expended in the year received although they can be extended to one further year but need to be commenced in the second year.

It was noted that there is no funding from Rubble Royalties after 2019/2020. A revised budget for 2019/2020 for the Legatus Group has been developed.



This includes the added columns for Budget Review 1 which is effectively an adjustment column.

The Budget plus the BR1 column gives the figure showing in the revised budget column.

Amounts shown in this column are primarily expected variations in the amounts that were initially budgeted for projects

A new items column has been added to pick up the new projects and ideas that will be the subject of reports and recommendations to the board.

This revised budget is to be considered in conjunction with the draft report provided to the working group and references to that document have been made in the note’s column on the right hand of each page.

The Full Year Forecast Column would be used later in the financial year to project the end of financial year balances.

One aspect that the Finance Officer has suggested whilst reviewing the budget was in relation to the potential extension of the CWMS Project officer position. The numbers shown reflect an increase in the total cost of the project this financial year to $45,000 as per the draft document. It may be better to show the total cost for the 18 month extension to give a truer picture of what the $10,000 additional income from the LGA will cost in total.

The Finance Officer will also endeavour to expand this reporting out to also include a formal balance sheet, equity statement and cash flows statement which should further assist

2019/2020 Budget

The Legatus Group Charter at section 5.1.6 states: 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 terms and conditions of the Legatus Group Audit and Risk Management Committee include amongst other things to monitor and provide advice in regard to internal controls over revenue, expenditure, assets and liability processes.

Long term

The working group discussed the value that the carry over reserves and accumulated surplus funds could provide to the region by being allocated for regional / sub regional projects that can be used to attract increased State and Federal Govt grants.

Subject to the recommendations from the Audit Committee and the Board the Legatus Management Group meeting has been rescheduled for early 2020 to allow for discussions between CEO’s on possible projects. This will allow for consideration of the 2020/2021 budget and the long term financials and for consideration by the constituent councils in 2020.

**3.2 CEO’s vehicle**

Reports for Discussion

From: Simon Millcock

Chief Executive Officer

**Recommendations: For noting**

The CEO’s vehicle was traded in and a new vehicle purchased in compliance with the approval by the board and a draft policy for new vehicle change overs will be developed.

1. **2019 / 2020 Financial Report**

**Reports for Discussion**

From: Simon Millcock

Chief Executive Officer

**Recommendation:**

1. **That the Legatus Group Audit and Risk Management Committee notes the first quarter 2019/2020 financial reports were distributed to Legatus Group Mayors and CEOs and that the financial position as of 30 September is in alignment with the current budget.**
2. **That the Legatus Group CEO provides a further financial report for the period 1 July 2019 – 31 October 2019 for the November 2019 Legatus Group meeting.**

**Background**

The attached financial reports from 1 July - 30 September 2019 were distributed to Legatus Group Mayors and CEOs on 3 October 2019. The Legatus Group CEO is required to provide quarterly reports summarising the financial position and performance of the Legatus Group against the Budget to the board and constituent councils.



1. **OTHER BUSINESS**

**To be confirmed.**

# 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 14 February 2020.