



AUDIT & RISK MANAGEMENT COMMITTEE MEETING

Tuesday 24 August 2021 10.30am

Northern Areas Council Chamber Jamestown

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on Tuesday 24 August 2021, commencing at 10.30am

Note that due to Social Distancing restrictions and hygiene requirements there is no access into the staff area other than using the bathroom facilities.

Zoom Details

<https://us02web.zoom.us/j/83282740867>

Meeting ID: 832 8274 0867

Passcode: 271747

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1) MEETING ATTENDANCE AND APOLOGIES

Meeting Attendance

Present - Committee

Mayor Kathie Bowman (Chair)	District Council of Orroroo-Carrieton
Mayor Rodney Reid	Wakefield Regional Council
Mr Colin Byles CEO	Northern Areas Council
Mr Ian McDonald	Independent

In Attendance

Mr Simon Millcock CEO	Legatus Group
Mr Colin Davies	Legatus Group Financial Services

Apology

Mr Peter Ackland CEO	Port Pirie Regional Council
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2) MINUTES OF PREVIOUS MEETING

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation:

- 1. That the minutes of the Legatus Group Audit & Risk Management Committee Meeting held on 3 June 2021 be taken as read and confirmed.**

Background

Mayor Kathie Bowman as Chair of the Committee provided a report which included copies of the minutes of the meeting 3 June 2021. The Legatus Group noted the report and approved the Audit and Risk Management Committee members to have access via the read only format to the financial transaction reports of the Legatus Group.

Minutes of Audit and Risk Management Committee Meeting 3 June 2021 Northern Areas Council Chambers & via Zoom. The meeting was opened at 10.30am.

1. Attendance

Committee: Mayor Kathie Bowman (Chair) and Mayor Rodney Reid in person and Mr Ian McDonald via zoom and Mr Peter Ackland (10.40am) via zoom.

In Attendance: Legatus Group CEO Mr Simon Millcock and Finance Officer Mr Colin Davies in person

Apology: Mr Colin Byles

2. Welcome

Mayor Bowman welcomed Mayor Reid as the new member to the committee and to Colin Davies in his role as Finance Officer.

3. Confirmation of Previous Minutes

Motion: That the minutes of the previous Legatus Group Audit and Risk Management Committee meeting held on 19 February 2021 be taken as read and confirmed.

Moved: Ian McDonald Seconded: Mayor Rodney Reid

CARRIED

4. Business Arising Not Otherwise on the Agenda

4.1 Financial Management Services

The Legatus Group CEO provided a report which was noted by the committee on the appointment of CJ Davies Consulting.

4.2 Review of Strategic Plan

The Legatus Group CEO provided a report on the review.

Motion: That the Committee supports the approach being recommended in the review of the Legatus Group 2018-2028 Strategic Plan report by the Legatus Group CEO.

Moved: Mayor Rodney Reid Seconded: Ian McDonald

CARRIED

4.3 CEO Performance Review

The Legatus Group CEO provided a report on the process undertaken re the independent performance review of the Legatus Group CEO and the meeting noted the report.

4.4 Internal Controls / Disaster Recovery

Colin Davies advised the meeting that he had been in contact with the Auditors and the following information was obtained.

- Policies recommendations for the Legatus Group consider adopting:
 - Budget Framework Policy
 - Code of Conduct for Employees
- Control Accounts that should be reconciled monthly, independently reviewed and evidence of the review be retained:
 - Bank Account
 - Aged Payables Report
 - Aged Receivables Report
 - Suspense Account
- General Journals are independently reviewed and evidence of the review is retained.
- As part of the handover of finance function, they highlight the following:
 - User Administrator Rights for Xero - and recommend reviewing all the users of XERO to ensure they are all still required.
 - Ensure the email that is used for various business functions is appropriately diverted.
 - Review user permissions for the following:
 - BankSA
 - LGFA
 - ATO

Action: Simon Millcock to draft new policies suggested for consideration by the Legatus Group.

The meeting noted that changes will commence after 1 July 2021 following the handover of the financial services to CJ Davies Consulting.

Motion: That the Legatus Group Audit and Risk Management Committee be provided access via the read only format to the financial transaction reports of the Legatus Group.

Moved: Ian McDonald Seconded: Peter Ackland

CARRIED

5. Financial Report 20/21

The Legatus Group CEO provided a report with the agenda including (1) Budget Comparison report till 30 April 2021 (2) Profit and Loss by Job - April 2021 report (3) The Balance Sheet April 2021 and (4) Profit and Loss reports April 2021. The Legatus Group CEO provided an update on the progress of projects which have yet to commence or have variations.

Discussion held on the need for the Legatus Group to then consider adopting the variation as the budget at their meeting and Colin Davies to provide suggested wording.

Motion: That the committee notes the report.

Moved: Mayor Rodney Reid Seconded: Peter Ackland

CARRIED

6. 2021/2022 Business Plan and Budget

The Legatus Group CEO provided a report with the agenda which included the draft budget 21/22 and general discussion including the topic of membership levies and level of general reserves. The meeting noted that the AGM had traditionally been the date when levies were set but that the Board may consider the membership levy at any time.

Motions:

1. That the committee notes that the 2021/2022 Draft Business Plan and Budget were distributed in compliance with the Legatus Group Charter.
2. That the committee notes the level of reserves identified in the 2021/2022 Draft Business Plan and Budget aligns with their previous recommendations.

Moved: Ian McDonald Seconded: Mayor Rodney Reid

CARRIED

7. Legatus Group Work Plan

The Legatus Group CEO provided a report with the agenda on the Legatus Group Work Plan.

Motion: That the committee notes the work plan is up to date.

Moved: Mayor Rodney Reid Seconded: Peter Ackland

CARRIED

8. Next meeting

Thursday 19 August 2021 10.30am Council Chambers Jamestown

3) BUSINESS ARISING NOT OTHERWISE ON THE AGENDA

3.1 Access to financial reports

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: For noting.

Background

The Legatus Group 11 June 2021 meeting endorsed the recommendation that the Audit and Risk Management Committee members have access via the read only format to the financial transaction reports of the Legatus Group. This has been arranged and all members of the committee have been provided access.

3.2 Moving into confidence

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee notes that a formal motion should be held as per the act and charter when the Legatus Group excludes people from attendance at their meeting.

Background:

At the 11 June 2021 Legatus Group meeting a report on the CEOs performance was provided with the agenda. The Legatus Mayors and CEOs had been provided an attachment with that agenda which was a report on the external review of the CEOs performance which was marked confidential. This report had been approved for distribution with the agenda by the Chair and Deputy Chairs who reviewed the report by the consultant which had also been provided to the Legatus Group CEO.

At the meeting Mayor Peter Matthey requested all persons to leave the room apart from the Legatus Group Board members so the CEOs performance review could be discussed in confidence by the Board. The meeting passed the following motion: That the Legatus Group Chair and Deputy Chairs investigate the governance of moving into confidence as per the Legatus Group Charter.

The Legatus Group Charter says:

3.6.4 Meetings of the Board will be open to the public and Chapter 6 Part 3 of the Act extends to the Legatus Group as if the Legatus Group were a council and the Board Members were members of the council.

3.6.15 The Chief Executive Officer may indicate on a document or report provided to Board Members under Clause **Error! Reference source not found.** any information or matter contained in or arising from a document or report that may, if the Board determines, be considered in confidence in accordance with Clause 3.6.4 provided that the Chief Executive

Officer at the same time specifies the basis on which an order could be made pursuant to the provisions of Chapter 6 Part 3 of the Act.

(In the case of the CEOs external performance review the word confidential had been displayed on the review)

3.6.20 All Board Members must keep confidential all documents and any information provided to them for their consideration prior to a meeting of the Board that is subject to the operation of Clause 3.6.15 or that relates to a matter dealt with by the Board on a confidential basis in accordance with Clause 3.6.4 and Chapter 6, Part 3 of the Act.

3.6.25 Subject to this Charter and to any direction of the Constituent Councils the Board may determine its own procedures to apply to proceedings at and conduct of meetings of which must be fair and contribute to free and open decision making where the Board has not determined a procedure and the procedure is not specified in this Charter, the procedures specified in Part 2 of the Local Government (Procedures at Meetings) Regulations 2013 will apply.

Relevant Sections Chapter 6 Part 3 of the Act.

(2) A council or council committee may order that the public be excluded from attendance at a meeting to the extent (and only to the extent) that the council or council committee considers it to be necessary and appropriate to act in a meeting closed to the public in order to receive, discuss or consider in confidence any information or matter listed in subsection (3) (after taking into account any relevant consideration under that subsection).

(7) If an order is made under subsection (2), a note must be made in the minutes of the making of the order and specifying— (a) the grounds on which the order was made; and (b) the basis on which the information or matter to which the order relates falls within the ambit of each ground on which the order was made; and (c) if relevant, the reasons that receipt, consideration or discussion of the information or matter in a meeting open to the public would be contrary to the public interest.

3.3 New Policies

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee recommends the Legatus Group adopt the Employee Code of Conduct Policy and the Business Plan Policy.

Background

Following item 4.4 of the previous committee meeting with reference to the auditors advise that the Legatus Group consider adopting (1) Budget Framework Policy and (2) Code of Conduct for Employees the attached draft policies have been developed.

4 FINANCIAL REPORTS

4.1 20/21 Financial Report

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: For discussion upon receiving the report.

Background

The Legatus Group Auditor advised the Legatus Group CEO on 19 August 2021 that they had not been able to have the report ready in time for the agenda.

This is due to the Covid-19 lockdown as they were not able to receive information to review until a week after the dates that were booked in for the Audit. As a result, they have been limited in their time to review the information and perform required audit testing due to other commitments.

They are waiting on a set of Financial Statements and some final queries to allow them to review and expected these to be provided on 19 August. If they receive as expected they will be able to provide a draft set of Financial Statements by Monday 23 August 2021 which can then be tabled at the committee meeting.

They had originally booked the Audit in for the 22 – 23 July and the box of working papers and invoices were expected to be provided by the 21 July. Due to the announcement of the lockdown on the 21st they were unable to receive the information in time and the box of working papers was diverted back to the Flinders Rangers. After the lock down they did not receive the information until 9 August and although they were able to move some tasks around, unfortunately due to prior commitments they could not move everything, and this has resulted in a delay.

4.2 21/22 Financial Report

Reports for Discussion

From: Colin Davies Finance Officer

Recommendation: That the committee notes the report.

Background

The Legatus Group Finance Officer has prepared the attached Legatus Group Management Report for the 2021/2022 Financial Year and Profit and Loss Report until 31 July 2021.

4.3 Subscription Fees

Reports for Discussion

From: Simon Millcock Legatus Group CEO

Recommendation: That the committee recommends the Legatus Group vary Charter Section 7.2.2 to read: The amount of each Constituent Council's subscription will be decided at the meeting where they adopt the Annual Business Plan and Budget and that subscriptions will be due and payable within one month of a written request from the Chief Executive Officer for payment.

Background

The Legatus Group's core finances come from subscriptions. Outlined in Section 7 of the Legatus Group Charter, every Constituent Council shall be liable to contribute monies to the Legatus Group each financial year. The amount of each Constituent Council's subscription will be decided at the Annual General Meeting and will be due and payable within one month of a written request from the Chief Executive Officer for payment.

As such the Legatus Group receives its subscriptions between October and November in each year subject to when the AGM is held (by the end of September). The Legatus Group has traditionally had reserves which have covered their expenses from July – November but this may not always be the case.

The Legatus Group sets its budget for each financial year in accordance with the Charter which requires that the proposed Annual Business Plan and the Budget must be referred to the Constituent Councils at least eight (8) weeks prior to the date of the meeting at which the budget is to be adopted. This includes the subscription fees for Constituent Councils.

Constituent Councils may comment on the Annual Business Plan and the Budget in writing to the Chief Executive Officer at least ten (10) business days before the meeting at which the budget is to be adopted or through its Board Member at that meeting.

The Legatus Group must adopt the Annual Business Plan and Budget after 31 May and before 30 June for the ensuing Financial Year.

As such the subscriptions are identified in the draft budget in March / April and Constituent Councils may comment prior to being adopted by the Legatus Group before the 30 June.

The current process could place at risk commitments / contracts entered into as per the approved budget and the overall financial position of the Legatus Group if the subscription amount is reduced from the confirmed budget.

If the subscription amount approved in the budget was to be increased at the AGM the Legatus Group must submit to each Constituent Council for approval, any proposed amendment to the Budget that provides for an additional financial contribution by the Constituent Councils which would also cause a delay then in being able to progress.

5 STRATEGIC PLAN AND LONG TERM FINACIAL PLAN

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation:

- 1. That the committee notes that the Legatus Group received the report on the review of the Strategic Plan and that the draft Strategic Plan will be presented to the 3 September 2021 Legatus Group meeting for consideration.**
- 2. That the committee notes the level of reserves identified in the Long-Term Financial Plan is subject to continued council membership fees and the LGA annual contributions which provides a level of equity that has been previously identified as appropriate until 30 June 2024.**

The Legatus Group at their June 2021 meeting endorsed the findings of the review of the Legatus Group Strategic Plan held during 2020/2021. The Legatus Group CEO is completing a draft Strategic Plan based on the 6 Key Findings along with a draft 3-year action plan. This will be provided with an updated long-term financial plan (LTFP) for consideration at the Legatus Group Annual General Meeting on 3 September 2021.

It has been recognised by the Board, Audit Committee and Management Group that the Legatus Group should have a manageable reserve that allows for around 18 months of core operational expense with some contingencies for any priority issue. The amount which has been agreed on previously is \$450,000.

The draft LTFP has been developed based on the current rate of membership subscriptions and LGA annual contribution allowing for a 2% increase each year plus the current administrative costs with the same level of increase. No grants or project funding has been included in the LTFP which have in the past 4-5 years formed over 50% of the Legatus Groups budget. Due to the reserves and high level of equity there have been no substantial management fees associated with these grants or projects and most of the management has been contributed as in-kind support. Allowances may need to be made from the year 2023/2024 and beyond to ensure that a management fee is included.

Note that the LGA have advised that they will continue the base-level Regional Capacity Building Allocations indexed to the Adelaide CPI for one more year (2021-22) subject to the existing conditions. There will then be a review to inform the future of the Regional Capacity Building Allocations.

6 WORK PLAN

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation:

- I. That the committee notes the work plan is up to date including their annual report.

Background

Legatus Group				
Work Program 2018 – 2021				
Updated August 2021				
Activity	Timeframe	Status / Outcomes / Benefits Achieved	Date for review	Follow-up Action
CEO				
Review of CEO performance	April	Consideration for 2022 via internal review process	April 2022	Report to the June 2021 Board completed
CEO contract extension	6 months prior to June 2022 end of current contract	Following the AGM – comply with the CEOs contract	Dec 2021	Following AGM decision to be made if a further employment agreement is to be offered to the Chief Executive Officer. CEO required within 2 months of the date of that offer to provide response.
Set KPI's for next financial year	May	Agreed prior to the start of financial year	June 2021	21/22 Business Plan adopted
Terms and conditions of the engagement reviewed annually	May	Within 1 month of completing the performance review	June 2022	For discussion at June 2022 Board meeting
Audit & Risk Committee				
Meetings at least twice in financial year	August / February / June	August to include review of the Annual report, February mid year review of the budget and June draft budget for next financial year	Each meeting	Audit Committee Annual report (see below).
Membership	March 2021	Review to be held	March 2021	Membership updated June / August 2020

Annual report	June/July	Annual report to the board summarising its activities during the previous year	August 2021	For AGM 3/9/21
Review of performance	August	Committee required to review its performance on an annual basis and this can occur at August meeting and be contained in the annual report	August 2021	
Strategic Plan / Budgets				
Strategic Plan and Long term financial plan	March 2021	Completed in April 2018. The strategic plan is required to have an operational period of 10 years and is reviewed at least ever 4 years	June 21	Strategic plan review completed and LTFP – agenda item for August 2021 committee meeting and September Legatus Group meeting.
3-Year Action Plan review	Sept 2021	3-year action plan approved 2018 and to be reviewed in line with review of the Strategic Plan	June - August 2021	Update in line with Strategic Plan key objectives and to be presented in September Legatus Group meeting.
Annual Business Plan and Budget	April 2022	Before 30 April prepare and submit a draft annual business plan and budget to councils for the ensuing financial year. Legatus Group must adopt after 31 May and within 6 weeks of endorsement by councils.	June 22	
Asset Management Plan		The only asset by Legatus Group is motor vehicle and this is managed through purchase based on board approvals.	Sept 21	Vehicle - not yet in need of review
Adopted Budget	June/July	Within 5 business days of the Legatus Group adopting the budget must	June 21	Distributed June 2021

		provide to councils		
Reports / external Audit				
Quarterly financial reports	October/January/April/July	Prepare and present quarterly reports summarising the financial position with copies to constituent councils.	April 21	Financial report July – June 2021 distributed to councils waiting on auditors report
Annual report	July	To be distributed to the councils in time to incorporate in their annual reports	Sept 2021	
Annual financial statements / audit	July	Ensure that the financial statements are audited and that they are submitted to the board and councils by 30 September	Sept 2021	To be presented at the Sept AGM
Appointment of auditor	August	Legatus Group must appoint an Auditor in accordance with the Act	AGM 2021	To be appointed at the AGM
Policies / procedures / charter				
Review of charter	Every 4 years	The charter will be reviewed by councils at least once every 4 years. The last review was undertaken in 2020 and adopted September 2020	Sept 2024	Approved variations and available on website and distributed to councils.
Communications	Annual	Review of the Legatus Group website and ensure charter, strategic plan and reports are easily accessible. Report to Audit and Risk Committee April meeting for website upgrades.	Oct 2021	Website updates being progressed due to be completed by October 21
Review of policies	Annual	This will be a 2-year review of	Jan 2022	Policies current and up to date

		the policies established in 2017		
Insurance / motor vehicle registrations / workers compensation	August	Annual review by the Audit and Risk Committee that all legal obligations are being met and provide value for money	June 2022	Current insurances are in place through LGA Mutual Liability Scheme and car is registered - Workers Comp advised of increased number of employees
Review and update of the effectiveness of internal controls operating	Annual	Initial review to be undertaken in consultation with Audit Committee	Sept 21	For consideration Sept 21 Legatus Group meeting
Report on disaster recovery procedures	Bi-annual	Initial review to be undertaken in consultation with Audit Committee	Dec 2021	For inclusion in agenda Audit Committee
Meetings / membership				
Annual General meeting	August	To be held no later than 30 September and for 2019/202 it is listed for Friday 4 Sept 2020.	Sept 2021	Listed 3 Sept 2021
Confirm membership of the board	August	Confirm with constituent councils their Principal Member at AGM	Sept 2021	Confirmed
Appointment of Chair and Deputy Chairs	July	Call for nominations for the Chair and Deputy Chair positions for the Annual General has been made	Sept 2021	Request for nominations called for and to be decided AGM 3 September 2021
Committees				
Review of all committees and their terms of reference	October	CEO to 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	Feb 2022	Board approved formation of Visitor Information Services Advisory Committee and continuation of CWMS and Roads and Transport Advisory committees reviewed in 2022

The Legatus Group Audit and Risk Committee summary of activities undertaken, and recommendations made during 2020-2021 for inclusion in the Legatus Group Annual Report.

The committee met on 4 occasions with the following attendance.

Date	No of Members Attending
21 August 2020	5
13 November 2020	5
19 February 2021	4
3 June 2021	4

Committee Member	No of Meetings Attended
Chairman Mayor Kathie Bowman	4
Mayor Denis Clark till 19 February 2021	3
Mayor Rodney Reid from 3 June 2021	1
Peter Ackland	3
Colin Byles	3
Ian McDonald	4

The following table sets out the principal issues addressed by the Committee for 2020-2021 year.

Principal Issues Examined	Recommendations to Board
Financial Report	No issues, unqualified audit, adopted for the 19/20 financial year.
Review of budget against actuals	Noted no issues and supported the allocation of the expenditure identified of carry over reserves and accumulated surplus for business plan and budgets.
Review of work plan, internal controls	<ol style="list-style-type: none"> 1. Work planned maintained and adoption of recommendations by Auditor for increased internal controls – recommended for the Legatus Group consider adopting: <ol style="list-style-type: none"> a. Budget Framework Policy b. Code of Conduct for Employees Draft policies developed. 2. Recommended an external review of CEOs performance which was undertaken. 3. Recommended that Legatus Group Audit and Risk Management Committee be provided access via the read only format to the financial transaction reports of the Legatus Group. Approved by the board. 4. Assisted with and provided recommendations re the provision of Financial Management Services.
Charter	Recommended the Legatus Group adopt the variation to item 5.1 of the Legatus Group Charter as set out in item 3.2 of the Legatus Group Audit and Risk Management Committee meeting held on 22 May 2020 and they authorise the Legatus Group CEO to comply with the Local Government Act requirements to secure the variation to the charter. Completed.
Business, Budget and Strategic Plan	<ol style="list-style-type: none"> 1. Noted the development of the 2020-2021 business plan and budget.

	2. Recommended the review of the Legatus Group Strategic Plan and provided input to the review.
Membership	Recommendations to Board re membership of Audit Committee
Equity / reserves	Recommendations to Board on levels to be held

Mayor Kathy Bowman
Chairman Legatus Group Audit and Risk Management Committee

7 OTHER BUSINESS

8 NEXT MEETING

Subject to the approval of meeting dates by the Legatus Group following their AGM