



AUDIT & RISK MANAGEMENT COMMITTEE MEETING

Thursday 8 December 2022 10.30am

Join Zoom Meeting

<https://us02web.zoom.us/j/87318727639>

Meeting ID: 873 1872 7639

Passcode: 562037

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on Thursday 8 December 2022 commencing at 10.30am

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Attachments:

- A - Dean Newbery and Partners Balance Date Management Letter
- B - Legatus Group Management Report to 31 October 2023
- C - Profit and Loss Statement to 31 October 2023
- D – Draft revised Long Term Financial Plan
- E – Draft Induction Policy
- F – Draft Risk Management Policy
- G – Draft Records and Management Policy

I) MEETING ATTENDANCE AND APOLOGIES

I.1 Meeting Attendance

Present - Committee

Mayor Kathie Bowman	District Council of Orroroo-Carrieton
Mayor Rodney Reid	Wakefield Regional Council
Mr Stephen Rufus CEO	District Council of Peterborough
Mr Ian McDonald	Independent

In Attendance

Mr Simon Millcock CEO	Legatus Group
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Apologies

Mr Peter Ackland CEO	Port Pirie Regional Council
Mr Colin Davies	Legatus Group Financial Services

I.2 Membership – appointment of Chair

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That _____ is appointed Chair of the Legatus Group Audit & Risk Management Committee.

Mayor Rodney Reid was elected as Chair at the last meeting but only for that meeting. Since then, Mayor Reid has been appointed as Chair of the Legatus Group and was also re-elected at the November 2022 Local Government elections along with Mayor Kathie Bowman.

Current terms for the committee are:

- Mayor Rodney Reid and CEO Peter Ackland June 2023
- Mayor Kathie Bowman, Ian McDonald and Stephen Rufus June 2024

The Legatus Group Charter is silent on the appointment of the Chair for the Audit and Risk Management Committee but traditionally it has been one of the two Legatus Group Board Members (Mayors). The charter outlines that the Audit and Risk Management Committee is 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 relevant section of the LGA Act for forming committees is section 41 and this does not preclude Mayors being on committees and or chairing them.

The Legatus Group CEO enquired with CEOs Peter Ackland and Stephen Rufus re the Chair being a member of the Audit and Risk Committee. Responses were that the Chair of the Board can be on the Committee. For a number of Councils, the Chair of their Audit Committees has been appointed from the independent members as opposed to an Elected Member.

Note: the LGA President has been member of the LGA's Audit Committee.

As the Charter is silent then it is a decision of the Audit and Risk Management Committee as to who it appoints as the Chair.

2) MINUTES OF PREVIOUS MEETING

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation:

- I. That the minutes of the Legatus Group Audit & Risk Management Committee Meeting held on 25 August 2022 be taken as read and confirmed.**

Background

The minutes of the meeting 25 August 2022 were distributed to all members and with the agenda for the 9 September 2022 Legatus Group Meeting. The Legatus Group received and noted the minutes and they have been published on the Legatus Group website at:

<https://legatus.sa.gov.au/wp-content/uploads/2022/08/Audit-Committee-Meeting-Minutes-25-Aug-2022.pdf>

3) BUSINESS ARISING NOT OTHERWISE ON THE AGENDA

Nil

4 FINANCIAL REPORTS

4.1 21/22 Financial Report

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee notes the issues outlined in the letter from the Auditors and recommends that the Legatus Group considers the timing of its meetings to coincide with the Budget Reviews.

Background

The Legatus Group AGM 9 September 2022 received the report on the 2021/2022 Legatus Group audited annual financial report undertaken by Dean Newbery and Partners which included the financial report prepared by Mr Colin Davies and the Audit Committee responses. They approved the following:

1. That the Legatus Group annual financial statement for the year ending 30 June 2022 presents a fair view of the state of the financial affairs of the Legatus Group and that the board certifies the annual financial report.
2. That the Legatus Group writes to the Auditors Dean Newbery and Partners advising that the board discussed the requirements of the Related Party Disclosures and confirms that there are no transactions that are required to be disclosed.
3. The Legatus Group retain Dean Newbery and Partners as Auditors for the year ending 30 June 2023.
4. That the Legatus Group Chair and Audit Committee Chair certify via their signature acceptance of the 2021/2022 Legatus Group independence of the audited annual financial statement.

The report was distributed to all member councils.

On 15 September 2022 along with the Audited Financial Statement the Legatus Group received the Balance Date Management Letter – Financial Year Ended 30 June 2022 (Attachment A) from Dean Newbery and Partners.

This letter noted the losses incurred for the year and consideration on the sustainability of the organisation and minor contraventions of the *Local Government (Financial Management) Regulations 2011* (the Regulations) re the timing of the Budget Reviews.

The Legatus Group Audit and Risk Management Committee have recognised previously the need to reduce the reserves held and at their 25 August 2022 moved a motion which the Legatus Group recognised “*The need to give due consideration to the long-term sustainability by continuing its practice of using reserve funds*”.

The Legatus Group 9 September 2022 meeting requested the Legatus Group CEO develop a report with input from the Legatus Group Audit and Risk Management Committee on options associated with the financial viability of the Legatus Group and that a workshop is held following the November 2022 Local Government Elections before providing recommendations to member councils for further consideration. This is listed at item 5 of this agenda.

4.2 22/23 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 (Attachment B) and the Profit and Loss Statement (Attachment C) for the 2022/2023 Financial Year until 31 October 2022.

4.3 2022/2023 Budget Review 2

Reports for Discussion

From: Simon Millcock Legatus Group CEO

Recommendation: That the committee notes the report and advises the Legatus Group that the Audit and Risk Management Committee will review and provide a report and recommendation on the Budget review following its first meeting in 2023.

Background

The Legatus Group 9 September 2022 received a report including the Audit and Risk Management Committees recommendations and received and adopted the revised 2022/2023 Budget Review 1. They noted that there is no need to submit the revised budget to member councils for their approval.

The Legatus Group CEO after receiving attachments B and C of this agenda provided the following information to the Legatus Group Finance Officer which outlined there is very little need to change the adopted 2022/2023 Budget Review 1.

- Income looks to stay the same with interest being slightly higher (a grant application has been submitted and won't be included unless successful)
- Expenditure
 - Workers Comp may reduce by \$1,000 to \$2,900
 - Vehicle Maintenance will need to go up by \$2,000 to \$3,000 as there was need for new tyres and increased servicing (due to no new car this year)
 - IT & Web to go up by 1,000 as website updates were required

The Legatus Group Finance Officer was to have developed a Budget Review 2 financial report but was admitted to hospital during the week of 21 November 2022 and has been unable to undertake this work. He has indicated he is not likely to be able to undertake the required work until January 2023.

5 STRATEGIC PLAN AND LONG TERM FINANCIAL PLAN

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee notes the report and:

1. **advises the Legatus Group that the committee will undertake a workshop in early 2023 and provide a report to the Legatus Group 17 March 2023 meeting on the long term financial plan; and**
2. **that the Legatus Group CEO will re work the draft Strategic Plan to cover the years 2023-2027 for consideration by the Legatus Group at their 17 March 2023 meeting before distributing to member councils.**

Background:

The Legatus Group 9 September 2022 meeting received and noted the Legatus Group CEOs report and minutes of the Legatus Group Audit and Risk Management Committee on the draft Strategic Plan and Long Term Financial Plan 2022-2032.

That meeting noted that the Legatus Group is unable to adopt the Legatus Group Strategic Plan as The Barossa Council recommended the Legatus Group defers its decision.

The meeting noted that the Legatus Group have:

- recognised the need to give consideration to the long-term sustainability by continuing its practice of using reserve funds; and
- that the revised Charter requires the Legatus Group to prepare and implement a 4-year Strategic Management Plan and removes the need to prepare and submit to the Constituent Councils for their approval a Long-Term Financial Plan covering a period of at least ten years.

The Legatus Group requested the Legatus Group CEO develop a report with input from the Legatus Group Audit and Risk Management Committee on options associated with the financial viability of the Legatus Group and that a workshop is held following the November 2022 Local Government Elections before providing recommendations to member councils for further consideration.

The Legatus Group CEO in discussions with the Legatus Group Finance Officer has prepared a draft revised (Attachment D) Long Term Financial Plan for 4 years to align with a new 4 year Strategic Plan. This has been developed for discussion with the Audit and Risk Management Committee and is based on the following:

Income:

1. 2023/2024 – Membership increases of 10% then 5% increase for 2024/2025 and back to 3.5% for 2025/2026 and 2026/2027
2. 2023/2024 – and each following year \$30,000 from a levy which would come from those member councils who receive SLRP funding in that year (this would cover the costs associated with the Regional Transport Plan)
3. 2023/2024 – and onwards LGA Regional Development Capacity funding at \$40K

Expenditure:

1. 2023/2024 – reduce the Admin Officer by 30%
2. 2024/2025 and onwards
 - CEO position reduce by 20% e.g. .8FTE but allow for 3% CPI increase
 - Remove the staging of forums / conferences at no cost to members
 - Reduce the financial services by 50%

The main source of income for the Legatus Group is membership fees which for the financial year 2017-2018 were set at \$10,850 and are currently at \$11,590 (an average increase over the 6 years of less than 1.5% per annum). These amounts have not covered the full administration costs of the Legatus Group.

As of 30 June 2020, the Legatus Group had Net Assets of \$1,258,000 which had grown by \$541,000 from 30 June 2017 (\$716,000). The Legatus Group through recommendations by the Audit and Risk Management Committee had agreed to reduce these to around \$450,000 and the current budget reflects that this will be close to occurring by 30 June 2023.

2016-2017 Profit \$30,221

2017-2018 Profit \$105,422

2018-2019 Profit \$179,372
2019-2020 Profit \$223,308
2020 – 2021 Loss (\$303,505)
2021-2022 Loss (\$301,453)
2022 – 2023 Projected Loss (\$212,000)

The bulk of the profits in the years 2017 – 2020 were as the result of the contribution from 8 of the member councils (at varying levels) to the Rubble Royalties Program. 80% of what the Adelaide Plains, Clare and Gilbert Valleys, Barunga West, Mount Remarkable, Northern Areas, Goyder, Wakefield and Yorke Peninsula paid to the SA Govt was returned to the Legatus Group through the LGA. These funds were required to be expended in the year they were received or through approval carried over to the next year.

The Legatus Group successfully lobbied for these royalties to be removed by the State Government as local government has experienced a considerable increase in the costs of maintaining and constructing roads since the state government ‘rubble royalties’ tax was introduced. As such all 8 member councils no longer have to pay and, in some cases, these amounted to costs of over \$50,000 per year.

These funds have been used during the period 2017-2022 by the Legatus Group for project work including being leveraged to gain other grants and to help offset Project Officer expenses. It also meant that some of the project work undertaken by the Legatus Group CEO which would normally be allocated into a budget for grant applications did not need to occur.

As such there has been a disparity and lack of equity in the funding of the Legatus Group by its members and membership fees have not increased in line with CPI or the administrative requirements.

The Legatus Group member fees have been the lowest on average for several years in comparison to the other Regional LGAs. Comparable regional LGA’s membership contributions currently are:

Eyre Peninsula total \$199,000 with 11 members average **\$18,000**
Riverland Murraylands total \$154,000 + SLRP surcharge \$26,000 with 7 members average **\$25,700**
Southern and Hills total \$120,000 + SLRP levy \$20,000 with 6 member councils average **\$23,300**

As such the comparison shows that the Legatus Group membership fees are between 45% - 65% less than these 3 Regional LGAs.

It is difficult to compare the Legatus Group with the Limestone Coast LGA as they have significantly more regional and economic development roles than the other Regional LGAs and their 7 member councils contribute close to \$875,000 annually.

For the term of the current contract of the CEO (June 2024) there are savings being made for 2022-2023 and 2023-2024 in the area of administration as the contract to lease premises has been removed. The Legatus Group CEO has committed to working from home and as such there are savings to the Legatus Group due to no office rent, office phone and internet costs along with reduced fuel as no need to travel to office.

The Legatus Group Chair, Deputy Chair and CEO have met and agreed that during February and March 2023 the Chair and CEO will attempt to meet with all member councils to provide them with an update on the progress of the Strategic and Business Plans. Note that the approved changes to the Legatus Group Charter in September 2022 removed the requirement for a 10 year Long Term Financial Plan.

6 CHARTER

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee notes the report and recommends that the Barossa Council request for the consideration by the Legatus Group of a variation to item 3.2 of the Charter by August 2023 is the subject of a report for the June 2023 Legatus Group meeting.

Background:

The Legatus Group AGM noted that the amended Charter has been approved by all Constituent Councils and as such authorised the Legatus Group CEO to provide advice to the Minister for Local Government. This has occurred and the variation was gazetted in the SA Govt Gazette on Friday, 23 September 2022 and is available on the Legatus Group website.

The Audit and Risk Management Committee noted the advice from the Barossa Council *“That the next revision of the Charter, clause 3.2 be reworded to allow Council to choose who it shall have as its representative to the Legatus Board of Management.”*

The Legatus Group AGM also noted The Barossa Council request for consideration by the Legatus Group of a variation to item 3.2 of the Charter by August 2023 and that this matter is listed as an agenda item for consideration by the Legatus Group prior to the next AGM.

Given there are 5 new board members following the November 2022 Local Government elections there may need to be time for these members to obtain a full grasp of the Legatus Group and this may take 4-5 months and a couple of meetings to allow them to gain clarity on this issue.

7 VACANCY DEPUTY CHAIR

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee recommends that the Legatus Group calls for nominations to open at the 16 December 2022 Legatus Group meeting and that nominations are to be received by the Legatus Group CEO in time for inclusion in the agenda for the 17 March 2022 Legatus Group meeting.

Background

The Legatus Group AGM received nominations for:

- Chair: Mayor Rodney Reid by Wakefield Regional Council
- Deputy Chair: Mayor Bill O'Brien by Light Regional Council

Both were appointed for 2 year terms in compliance with the Charter and the meeting carried a motion “That the Legatus Group calls for expressions of interest for the vacant Deputy Chair position following the November 2022 Local Government elections”.

The Legatus Group Charter is silent on filling a casual vacancy for the Deputy Chair and following discussions by the Legatus Group CEO with the Legatus Group Chair and Deputy Chair it was considered appropriate that any decision on the appointment is delayed until after the 16 December 2022 meeting as there are 5 new members and this will be their first meeting.

Noted that one of the roles for the Deputy Chair includes the performance review of the Legatus Group CEO and this will need to be undertaken in April.

8 POLICIES

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee notes the three draft policies will be presented to the Legatus Group for their consideration.

Background

Following a review of the Legatus Group policies and reports to the Audit and Risk Management Committee and Legatus Group the following three attached draft policies have been developed and will be presented to the 16 December 2022 Legatus Group meeting:

1. Attachment E Induction
2. Attachment F Risk Management
3. Attachment G Records and Management

9 SIGNATORIES LEGATUS GROUP BANK

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee recommends that the Legatus Group appoints _____ as a signatory to the Legatus Group Bank Accounts.

Background:

The Legatus Group CEO and Mr Colin Davies the Legatus Group contracted finance officer are signatories to the Legatus Group Bank Account and this requires them to co-authorise payments. There is risk that one of them may not be available to authorise and or a perceived risk in them authorising payments for their own invoices or reimbursement.

Former CEO of Northern Areas Council and member of the Legatus Group Audit and Risk Management Committee Colin Byles had been approved by the board as a signatory to the bank account. The 9 September 2022 Legatus Group AGM provided the following delegation:

Bank account signatories	Legatus Group CEO Simon Millcock Finance Officer Colin Davies
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10 WORK PLAN

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee notes the work plan is up to date

Legatus Group Work Plan				
Updated December 2022				
Activity	Timeframe	Status / Outcomes / Benefits Achieved	Date for review	Follow-up Action
CEO				
Review of CEO performance	April	Consideration for 2023 via internal review process	April 2023	Delegated to Chair and Deputy Chairs
CEO contract extension	6 months prior to June 2024 end of current contract	2 year extension from 6 June 2022	Dec 2023	CEO required within 2 months of the date of any offer to provide response.
Set KPI's for next financial year	May	Agreed prior to the start of financial year	June 2022	Key Performance Indicators approved 10 June 2022
Terms and conditions of the engagement reviewed annually	May	Within 1 month of completing the performance review	June 2023	For discussion at June 2023 Board meeting
Audit & Risk Committee				
Meetings at least twice in financial year	August / Dec	February mid-year review of the budget and May budget for next financial year	May 23	Meetings held August and Dec 22
Membership	March	Review to be held	March 2023	Membership to be considered review of charter refer item 6 of the agenda.
Annual report	June/July	Annual report to the board summarising its activities during the previous year	August 2023	21/22 Annual report was adopted at the AGM and distributed to members

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 2023	To be held in conjunction with annual report for 2023.
Strategic Plan / Budgets				
Strategic Plan and Long term financial plan	March 2023	Draft to be distributed to member councils	June 2023	Refer to agenda item 5
2-Year Action Plan review	March 2023	Draft to be distributed to member councils	June 2023	In line with Strategic Plan
Annual Business Plan and Budget	April 2023	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 23	Meetings to be held with member councils Feb – March 2023 by Legatus Group Chair and CEO
Asset Management Plan		The only asset by Legatus Group is motor vehicle and this is managed through purchase based on board approvals.	Sept 23	Quotes received for new vehicle and approved for purchase July 22 but may take 12-18 months to secure.
Adopted Budget	June/July	Within 5 business days of the Legatus Group adopting the budget must provide to councils	June 23	Adopted June 2022 – reviewed quarterly with next review was due Dec 2022 refer agenda item 4.3 this agenda.
Reports / external Audit				
Quarterly financial reports	Oct	Prepare and present quarterly reports summarising the financial position with copies to constituent councils.	Oct 23	Monthly financial reports are completed and distributed to the Audit committee and the most recent is provided to the Legatus Group Board meeting. As such all council Mayors and CEOs are provided with financial reports every 3 months.

Annual report	September	To be distributed to the councils in time to incorporate in their annual reports	Sept 2023	Annual Report 21/22 was distributed to all member councils after it was approved at AGM.
Annual financial statements / audit	September	Ensure that the financial statements are audited and that they are submitted to the board and councils by 30 September	Sept 2023	Audited Financial Report 21/22 was distributed to all member councils after it was approved at AGM.
Appointment of auditor	September	Legatus Group must appoint an Auditor in accordance with the Act	AGM 2023	Sept 22 AGM confirmed current auditors
Policies / procedures / charter				
Review of charter	Every 4 years	The charter has been reviewed in 2022 and recommendation approved by member councils	March 23	Refer agenda item 6 of this agenda.
Communications	Annual	Review of the Legatus Group website and ensure charter, strategic plan and reports are easily accessible.	Ongoing	Website update completed. Bi-monthly CEOs report to Councils instigated in 2022.
Review of policies	Annual	This will be a 2-year review of the policies established in 2017	Feb 2023	For report to new board.
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	March 23	Current insurances are in place through LGA Mutual Liability Scheme and the car is registered - Workers Comp advised of number of employees
Review and update of the effectiveness of internal controls operating	Annual	Initial review to be undertaken in consultation with Audit Committee	March 23	For consideration Legatus Group
Report on disaster recovery procedures	Bi-annual	Initial review to be undertaken in consultation with Audit Committee	June 23	For inclusion in agenda Audit Committee
Meetings / membership				

Annual General meeting	August	To be held no later than 30 September and for 2021/2022 it was held on Sept 2022.	Sept 2023	Listed for 15 Sept 2023
Confirm membership of the board	August	Confirm with constituent councils their Principal Member at AGM	Dec 2023	Confirmed following Local Govt elections
Appointment of Chair and Deputy Chairs	July 2024	Call for nominations for the Chair and Deputy Chair positions for the Annual General has been made	Sept 2024	Refer item 7 of this agenda.
Committees				
Review of all committees and their terms of reference	March	CEO to prepare a report annually to the board on the status of all Legatus Group committees with recommendation on their terms of reference including their length of operation	June 2023	Expressions of Interest for extension of CWMS and Roads Transport Infrastructure and the formation of new committee Waste Management approved June 2022 for 2 years.

11 OTHER BUSINESS

12 NEXT MEETING

Thursday 9 February 2023 10.30am venue to be confirmed and that this includes a workshop on the Long Term Financial Plan and the half year review of the Legatus Group Budget.