



**AGENDA AUDIT & RISK MANAGEMENT
COMMITTEE MEETING
Friday 5 May 2023 2pm**

Council Chambers Port Pirie Regional Council

115 Ellen Street Port Pirie

Or via Zoom Meeting

<https://us02web.zoom.us/j/864899446729>

Meeting ID: 864 8994 4672

Passcode: 464485

Notice is hereby given that the next Audit & Risk Management Committee meeting of the Legatus Group will be held on Friday 5 May 2023 commencing at 2.00pm

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Attachments:

- A. Legatus Group Management Report
- B. Profit and Loss Statement
- C. Budget Review
- D. Draft Business Plan
- E. Draft Budget

1) MEETING ATTENDANCE AND APOLOGIES

1.1 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 (Chairman)
Mr Peter Ackland CEO	Port Pirie Regional Council
Mr Ian McDonald	Independent

In Attendance

Mr Simon Millcock	Legatus Group CEO
Tracey Raines	Legatus Group Admin

Apologies Mr Colin Davies (Legatus Group Financial Services)

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 31 January 2023 be taken as read and confirmed.**

Background

The minutes of the meeting held on 31 January 2023 were distributed to all members and with the agenda for the 10 February 2023 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/2023/01/Draft-Minutes-310123-.pdf>

3) BUSINESS ARISING NOT OTHERWISE ON THE AGENDA

Nil

4 FINANCIAL REPORTS

4.1 2022/2023 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 A) and the Profit and Loss Statement (Attachment B) for the 2022/2023 Financial Year until 31 March 2023. It is anticipated that prior to the meeting updates on both reports until 30 April 2023 will be provided and also presented to the 19 May 2023 Legatus Group meeting.

4.2 2022/2023 Budget Review

Reports for Discussion

From: Simon Millcock Legatus Group CEO

Recommendation: That the committee notes the report and recommends that the Legatus Group receives the revised budget and advises that there is no need to submit the revised budget to member councils for their approval.

Background

This report includes the 2022/2023 budget review with the variance report comparison including actual to original budget. This has resulted in a reduced deficit of \$39,600 and no increase in council contributions.

The Legatus Group Charter says:

- The Legatus Group must reconsider its Budget in accordance with the Act and in a manner consistent with the Act and may amend its Budget for a Financial Year at any time before the year ends.
- 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.

The original budget was adopted by the Board at their 10 June 2022 meeting where they also approved:

1. The Legatus Group pays the SA Coastal Council Alliance membership fees of \$11,300 and makes an appropriate variation to its 2022/23 budget.
2. 3% pay rise to the Legatus Group CEO.

The Legatus Group 9 September 2022 meeting received a report including the Audit and Risk Management Committees recommendations and adopted the revised 2022/2023 Budget.

The Legatus Group 16 December 2022 meeting received a report including the Audit and Risk Management Committee recommendations and noted that a report Budget Review 2 will be provided following the next meeting of the Legatus Group Audit and Risk Management Group.

The Legatus Group 10 February 2023 meeting received a report including the Audit and Risk Management Committee recommendations and adopted the revised 2022/2023 Budget Review.

In April 2023 the Legatus Group CEO and Legatus Group Finance Officer reviewed the administrative costs and progress of projects and the changes expected to income and expenditure have been incorporated in (Attachment C) titled Budget Review 4. The key points are:

I. Income:

- Item 43001 Interest from LGFA – increase by \$4,000 due to the higher interest rates.

2. Expenditure

- Item 62001 - Accounting Services reduced by \$2,500.
- Item 62005 - Consultants reduced by \$29,200.
- Item 63001 - Catering reduced by \$1,000.
- Item 69005 – Conferences reduced by \$3,000.
- Plus, combined travel and accommodation reduced by \$1,300.

5 LEGATUS GROUP 2023/2024 BUSINESS PLAN AND BUDGET

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation:

- 1 That the committee notes the report.**
- 2 That the committee advises the Legatus Group that the Charter requirements with regards the 2023/2024 Business Plan and Budget have been complied with.**
- 3 That committee notes the level of reserves identified for use in the 2023/2024 Draft Business Plan and Budget has given due consideration to the long term sustainability of the Legatus Group.**

Background:

Following a report on the 2023/2024 Legatus Group Business Plan and advice from the Audit and Risk Management Committee the Legatus Group moved a motion on 10 February 2023 that:

- The Legatus Group CEO develops a draft 2023/2024 Business Plan and Budget based on the actions and budget as outlined in the 2023/2024 draft Legatus Group Strategic Plan and the draft Long Term Financial Plan.
- The Legatus Group holds an on-line Special Meeting for the Legatus Group on Friday 2 June 2023 to consider adopting the 2023/2024 Legatus Group Business Plan and Budget.

The Legatus Group CEO developed the attached draft 2023/2024 Business Plan (Attachment D) and Budget (Attachment E) and following consultation with the Legatus Group Chair and Deputy Chair distributed these to all member councils on 14 March 2023. They were distributed with the revised draft Strategic Plan and Long Term Financial Plan which had been presented at the last Audit and Risk Management Committee and February 2023 Legatus Group meeting. This approach meets the requirements of the Charter and allows member councils time to provide responses.

The Charter sets out the following with regards the Business Plan and Budget:

- Prepare an Annual Business Plan linking the core activities of the Legatus Group to strategic, operational and organisational requirements with supporting financial projections setting out the estimates of revenue and expenditure as necessary for the period.
- Consult with the Constituent Councils prior to adopting or amending the Annual Business Plan.
- Ensure contents of the Business Plan is in accordance with the Act.
- 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.
- 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.

The draft 2023/2024 budget shows an operating deficit of \$73,300 and with a total equity of \$404,500 as of 30 June 2024. Subject to the variations to the 2022/2023 Legatus Group Budget as outlined in item 4 of this agenda it is likely that there will be an increased level of reserves available for 2022/2023 and as such the total equity is likely to be closer to \$440,000 as of 30 June 2024.

At the time of preparing the agenda 10 councils have advised of their support for the Business Plan and Budget with 1 council recommendation to support and 4 councils have advised they don't support. The Legatus Group CEO will be able to provide an up to date report at the meeting which will include detailed responses.

6 STRATEGIC PLAN AND LONG TERM FINANCIAL PLAN

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation:

- 1. That the committee notes the report and recommends the Legatus Group considers the need for a further review of the Legatus Group Strategic Plan following the outcome of a review of its Charter.**
- 2. That the committee reviews how the Long Term Financial Plan is presented to Member Councils.**

Background:

Detailed reports have been provided to both the Legatus Group and the Audit and Risk Management Committee during the past 18 months on the reviews to the draft strategic plans.

The 31 January 2023 Audit Committee approved the revised draft Strategic Plan and Long-Term Financial Plan be provided to the Legatus Group 10 February 2023 meeting. The 10 February 2023 Legatus Group meeting carried the motion that the Legatus Group CEO distributes the draft Legatus Group Strategic Plan 2023 – 2027 and Long-Term Financial Plan to Constituent Councils for their consideration by 5 May 2023.

Mayor Rodney Reid and the Legatus Group CEO have been meeting with all member councils to discuss the strategic and business plans and have met with 14 of the councils at the time of preparing this agenda.

At the time of preparing the agenda 10 councils have advised of their support for the Strategic Plan and Long Term Financial Plan and 1 council has a recommendation to support and 4 councils have advised they don't support. The Legatus Group CEO will be able to provide an up to date report at the meeting which will include detailed responses.

The Charter requires that the Legatus Group submits the Strategic Plan to the Constituent Councils for their approval. The previous Legatus Group board interpreted that this means all 15 member councils need to approve the Strategic Plan.

Stephen Rufus has outlined that the Long Term Financial Plan requires supporting commentary as to its purpose, strategy for membership and expenditure, and further the basis for the Plan only being a four year Plan.

7 WITHDRAW OF MEMBERSHIP

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation:

- 1. That the committee notes the report and that the decision to withdrawal membership by the Barunga West Council does not impact on the 2023/2024 Legatus Group Business Plan or Budget but that it will need to be considered in the preparation of the 2024/2025 Legatus Group Business Plan and Budget.**
- 2. The committee recommends to the Legatus Group that the withdrawing of membership should require a review of the Strategic Plan and Long Term Financial Plan and the withdrawal of memberships should be considered as part of a review of the Legatus Group Charter.**

Background

On the 12 April 2022 the Legatus Group CEO was advised by email from the CEO of the Barunga West Council that at the 11 April 2023 Barunga West Council they carried the motion that their “Administration give notice to withdraw from the Legatus Membership”. The advice from the Barunga West Council was that a letter would be sent in the future. At the time of preparing the agenda the letter has not been received.

On 12 April 2023 the Legatus Group CEO provided the following response via email:

“I take this opportunity to acknowledge receipt of the decision by Barunga West Council to give notice to withdraw membership of the Legatus Group along with the other matters you have outlined below.

The relevant section of the Charter is 7.4 for withdrawal of membership.

7.4.1 Subject to the Act and this Charter, a Constituent Council may cease to be a Constituent Council by giving not less than eighteen (18) months’ notice in writing of such withdrawal to the Chief Executive Officer provided that its subscription of the current year and other monies outstanding prior to the date of its giving notice of withdrawal have been paid to the Legatus Group.

7.4.2 The withdrawal of any Constituent Council does not extinguish the liability of that Constituent Council to contribute to any loss or liability incurred by the Legatus Group at any time before or after such withdrawal in respect of any act or omission by the Legatus Group prior to such withdrawal.

The relevant section of the Local Govt Act re provisions applicable to subsidiaries is Schedule 2 which says at section 29 Council becoming or ceasing as a constituent council.

*A council may, in accordance with the charter of the subsidiary and with the approval of the Minister—
(a) become a constituent council of a regional subsidiary; (b) cease to be a constituent council of a regional subsidiary.*

Please send through the letter when you get the chance and my reports will show that I was provided with advice as of today's date and as such your membership would cease at close of business on **12 October 2024** subject to requirements outlined in the Charter. This will need to be factored into the Legatus Group Strategic and Long-Term Financial Plan and relevant years budgets."

On the 22 March 2023 the CEO of the District Council of Mount Remarkable advised the Legatus Group CEO that their council had requested a report from their CEO to be provided for consideration with respect to future membership and involvement with the Legatus Group.

On the 4 April the CEO of the District Council of Mount Remarkable sought background material from the Legatus Group CEO on the Legatus Group primarily its formation, functions, achievements and future. Information was supplied on the 5 April 2023.

8 CHARTER

Reports for Discussion

From: Simon Millcock Chief Executive Officer

Recommendation: That the committee recommends the Legatus Group requests the CEO to seek quotes for a consultant to conduct a review of the Legatus Group Charter in July 2023 and that this is to include a workshop with the board and the Regional Management Group.

Background:

The Legatus Group is required to provide the relevant Minister with a copy of the new Charter in accordance with the Local Government Act 1999 and arrange for the details to be published on its website and in the South Australian Government gazette in accordance with that Act.

The Legatus Group Charter sets out at item 7.8:

- This Charter will be reviewed by the Constituent Councils at least once in every four (4) years. (2021 and 2022 reviews refer below)
- This Charter may be amended by a resolution passed by a simple majority of the Constituent Councils.
- Before the Constituent Councils vote on a proposal to alter this Charter, they must take into account any recommendation of the Board.

Recent reviews of the Charter:

2021 – Minor Change

The Legatus Group AGM 3 September 2021 included the approval for the variation to the Legatus Group Charter item 7.2.2 Councils subscriptions (remove need for all to approve). This was approved by member Councils and subsequently confirmed via Minister and Gazetted.

2022 – Major changes

The Legatus Group 10 June 2022 meeting was provided with a report which resulted in significant variations to the Charter being approved for distribution to member councils. The items were:

- 3.2 – Membership (proxy for AGM)
- 3.5 – Appointment of Chair and Deputy Chairs (2 year terms)
- 5.3 – Long Term Financial Plan (remove the need)
- 6.1 – Strategic Plan (reduce from 10 year to 4 year)
- 7 – Regional Management Group (proxy for their meetings)
- 7.4 – Withdrawal of membership (reduced from 3 years to 18 months)

The Legatus Group approved the current Charter at their 9 September 2022 Annual General Meeting following confirmation being received from Constituent Councils.

The Legatus Group held a workshop on 11 March 2022 and this included the comments from the Legatus Regional Management Group (RMG). These notes were subsequently distributed to Legatus Group Mayors and CEOs. The Legatus Group CEO facilitated the workshop and advised that all those who were apologies had been provided with an opportunity to contribute their thoughts and they would be included in the workshop.

There are currently matters re the Charter which have been raised by Member Councils, Audit and Risk Management Committee and the CEO's Performance Panel since these changes have come into effect. They include:

1. Reverting back to a ten (10) year long term financial plan
2. Membership and appointment of proxies
3. Date for adopting the Annual Business Plan and Budget
4. Approval process for the Strategic Plan

Both items 1 & 2 were workshopped as part of a review in 2022 and variations were made that member councils have approved. These changes were to remove the need for 10 year strategic and long term financial plan and to allow for proxies to be available for the AGM.

The approach that the Legatus Group CEO had outlined at the last Audit and Risk Management Committee meeting was to prepare a report for the November 2023 Legatus Group meeting and if any recommendations for changes are made then these can be distributed to member councils for a final decision at the Legatus Group February 2024 meeting. This would mean any changes re timing of the adopting to business plan budget could be changed prior to their adoption in 2024. This was to also allow the new board to have had 12 months of operation under the new charter.

Given the current concerns raised by 3 of the member councils it may be more appropriate to undertake a review prior to the August 2023 meeting so that the board can review and recommend if need any suggested changes for distribution to member councils in September / October in time for confirmation at the November 2023 meeting.

The recommendation is that the review is undertaken by an external person and includes a workshop with the Board and the Regional Management Group.

9 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 Audit and Risk Management Work Plan				
Updated April 2023				
Activity	Timeframe	Status / Outcomes / Benefits Achieved	Date for review	Follow-up Action
Audit & Risk Committee				
Meetings at least twice in financial year	August / Dec / Jan / April	Jan mid-year review of the budget and April budget for next financial year	April 23	Meetings held to date have been in August, Dec Jan and May.
Membership	March	Review to be held	March 2023	Membership to be considered review of charter
Annual report	August	Annual report to the board summarising its activities during the previous year	July 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	July 2023	To be held in conjunction with annual report for 2023.
Strategic Plan / Budgets				
Strategic Plan and Long term financial plan	June 2023	Draft to be distributed to member councils Feb 2023	May 2023	Refer to agenda item 6
2-Year Action Plan review	June 2023	Draft to be distributed to member councils Feb 2023	May 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.	June 23	Meetings to be held with member councils Feb – March 2023 by Legatus Group Chair and CEO Refer item 5 of this agenda

		Legatus Group must adopt after 31 May and within 6 weeks of endorsement by councils.		
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	Within 5 business days of the Legatus Group adopting the budget must provide to councils	June 23	Adopted June 2022 – reviewed quarterly with 3 reviews undertaken to date refer item 5 of this agenda
Reports / external Audit				
Quarterly financial reports	Sept / Dec / March / June	Prepare and present quarterly reports summarising the financial position with copies to constituent councils.	May 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	August	To be distributed to the councils in time to incorporate in their annual reports	August 2023	AGM being held 25 August 2023.
Annual financial statements / audit	August	Ensure that the financial statements are audited and that they are submitted to the board and councils by 30 September	August 2023	AGM being held 25 August 2023.
Appointment of auditor	August	Legatus Group must appoint an Auditor in accordance with the Act	AGM 2023	Current Auditor in 4 th year and decision at 25 August AGM
Policies / procedures / charter				
Review of charter	Every 4 years	The charter has been reviewed in 2022 and recommendation	March 23	Refer agenda item 8 of this agenda.

		approved by member councils		
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 2024	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 until 22 Sept 2023 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	August 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

10 NEXT MEETING

Friday 11 August 2023 10.30am venue to be confirmed.