1. PRESENT

The meeting was declared open at 10:32 am with the following attendances and apologies:

Ms Rosina Hislop Independent Chair
Mayor Karen Redman via teleconference LGA Board Member (Proxy) Representative
Ms Yvonne Sneddon Independent Member
Ms Patricia Christie Independent Member

LGA Board in Attendance

Mayor Sam Telfer via telephone LGA President

LGA Staff In Attendance

Mr Matt Pinnegar Chief Executive Officer
Mr Andrew Johnson Chief Executive Officer, LGASA Mutual Pty Ltd
Mr Andrew Wroniak Director Corporate Services
Ms Sarah Ryan Administration Coordinator/Personal Assistant

2. MEMBERS DECLARATION OF INTEREST

The Chair asked if any Member had an interest to disclose about any item being considered at the meeting. There were no disclosures for any specific item.

Ms Hislop informed the Committee of two updates to her registration of interests, an appointment as the Chair of Fertility SA and her retirement from the Board of the Principals Australia Institute.

The Audit and Risk Committee agreed to change the order of the agenda items as follows:

4. Confirmation of Minutes
5.1 Update on LGA Activities
7.1 Grounds for moving into confidence
7.4 2017/2018 External Audit Findings
5.2 Strategy and Risk
5.3 Review of Business Arising Action Statement
5.4 Audit and Risk Committee Work Program
7.2 LGA Commercial Activity Update
7.3 Long Term Financial Plan
7.5 LGA Schemes Update
7.6 Tender for the external audit services 2018/19
8.2 Content Management System
8.3 LGA Board Gift Register
6.1 Corporate Governance Framework and Policies
8.1 Audit and Risk Committee Terms of Reference
3 Discussion in Confidence

4. CONFIRMATION OF MINUTES

4.1. Minutes of the LGA Audit Committee meeting held on 1 August 2018

Moved Ms Christie; Seconded Ms Sneddon

A change was requested to the third sentence in item 5.3 to:

‘The Committee was advised that post-implementation reviews will may occur on the Schemes and Governance Reviews’.

The Audit and Risk Committee resolved that the minutes of the LGA Audit Committee meeting held on 1 August 2018 are a true and correct record of the proceedings.

CARRIED

4.2. Confidential Minutes of the LGA Audit Committee meeting held 1 August 2018

Moved Ms Christie; Seconded Ms Sneddon

That the LGA Audit and Risk Committee:

1. Resolves to consider Agenda Item 4.2 - Confidential Minutes of the LGA Audit Committee meeting held 1 August 2018 in confidence being satisfied that the information received, discussed or considered is information, the release of which could prejudice the LGA’s strategic or negotiating position.

2. Orders all observers at the meeting, except any LGA Board Members present, invited attendees and LGA staff, be excluded from the meeting.

Moved Ms Christie; Seconded Ms Sneddon

The LGA Audit and Risk Committee:

1. Retained in confidence

2. That the confidential minutes be retained in confidence indefinitely unless resolved otherwise on the grounds that the information contained within the minutes is information the release of which could prejudice the LGA’s strategic or negotiating position.

CARRIED
4.3. Minutes of the Special LGA Audit Committee meeting held on 3 September 2018

Moved Ms Christie; Seconded Ms Sneddon

The Audit and Risk Committee resolved that the minutes of the Special LGA Audit Committee meeting held on 3 September 2018 are a true and correct record of the proceedings.

CARRIED

4.4. Confidential Minutes of the Special LGA Audit Committee meeting held 3 September 2018

Moved Ms Christie; Seconded Ms Sneddon

That the LGA Audit and Risk Committee:

1. Resolves to consider Agenda Item 4.4 - Confidential Minutes of the Special LGA Audit Committee meeting held 3 September 2018 in confidence being satisfied that the information received, discussed or considered is information, the release of which could prejudice the LGA’s strategic or negotiating position.

2. Orders all observers at the meeting, except any LGA Board Members present, invited attendees and LGA staff, be excluded from the meeting.

CARRIED

Moved Ms Christie; Seconded Ms Sneddon

The LGA Audit and Risk Committee:

1. Retained in confidence

2. That the confidential minutes be retained in confidence indefinitely unless resolved otherwise on the grounds that the information contained within the minutes is information the release of which could prejudice the LGA’s strategic or negotiating position.

CARRIED

5. BUSINESS ARISING

5.1 Update on LGA Activities

The LGA’s CEO, Mr Pinnegar provided a brief update on recent activities at the LGA. The following activities were discussed:

- Voting at the Local Government elections closed on 9 November. The majority of councils have received their results with counting expected to be finalised by Friday 16 November. The LGA ran a successful campaign encouraging more diversity from candidates resulting in 22 female mayors being elected. The representation of female Mayors is expected to increase further as some of the councils select a Mayor after the elections. The LGA will be meeting with councils as a priority to establish strong relationships with the newly elected members and Mayors. Next week, customized letters will be sent to each council detailing the value it receives from being a member of the LGA.
Kathy Jarrett, Executive Director Corporate and Member Services, resigned from the LGA last week. The rest of the Executive team has taken on her duties as detailed in the new organisational chart. The LGA’s focus over the next few weeks will be preparing for the first meeting of the new Board (29 November) and running the joint GAROC/SAROC workshop in mid-December.

On 14 November, an Accountability Bill, which has been proposed by the Labour Party (opposition), is expected to pass the upper house. The Liberal government has confirmed its commitment to implementing a package of local government reforms in the first half of 2019.

The LGA has been attending meetings with John Darley regarding Code of Conduct and the Ombudsman report which was recently released. The government has committed to working with the LGA to improve the current regime.

**ACTION:** Email the updated organisational chart to the Audit and Risk Committee

Moved Ms Sneddon; Seconded Ms Christie

The LGA Audit and Risk Committee notes the report on the LGA’s activities **CARRIED**

7. **CONFIDENTIAL REPORTS**

7.1 **Grounds for Moving into Confidence**

Moved Ms Christie; Seconded Ms Sneddon

That the LGA Audit and Risk Committee resolves to consider the following items in confidence:

- Agenda Item 7.2 - LGA Commercial Activity Update being satisfied that the information received, discussed or considered in relation to Agenda Item 7.2 is information that falls within the grounds for confidence of strategic and negotiation issues
- Agenda Item 7.3 - Long Term Financial Plan being satisfied that the information received, discussed or considered in relation to Agenda Item 7.3 is information that falls within the grounds for confidence of strategic and negotiation issues
- Agenda Item 7.4 - 2017/18 External Audit Findings being satisfied that the information received, discussed or considered in relation to Agenda Item 7.4 is information that falls within the grounds for confidence of strategic and negotiation issues
- Agenda Item 7.5 - Schemes Review Update being satisfied that the information received, discussed or considered in relation to Agenda Item 7.5 is information that falls within the grounds for confidence of strategic and negotiation issues
- Agenda Item 7.6 - Tender for the external audit services 2018/19 being satisfied that the information received, discussed or considered in relation to Agenda Item 7.6 is information that falls within the grounds for confidence of strategic and negotiation issues
• Agenda Item 8.2 - Content Management System being satisfied that the
  information received, discussed or considered in relation to Agenda Item 8.2 is
  information that falls within the grounds for confidence of strategic and
  negotiation issues
• Agenda Item 8.3 - LGA Board Gift Register being satisfied that the information
  received, discussed or considered in relation to Agenda Item 8.3 is information
  that falls within the grounds for confidence of personal affairs and strategic and
  negotiation issues
• The Committee also resolved to consider items 5.2, 5.3 and 5.4 in confidence
  being satisfied that the information received, discussed or considered in relation
  to these items is information that falls within the grounds for confidence of
  strategic and negotiation issues as they reference confidential items within this
  agenda

CARRIED

7.4 2017/2018 External Audit Findings (Confidential)

Minutes retained in confidence

Moved Ms Sneddon; Seconded Ms Christie

That the LGA Audit and Risk Committee:

1. Retained in confidence
2. Having considered 7.4 2017/2018 External Audit Findings in confidence resolves to
   retain in confidence the report and attachment until the internal controls have been
   successfully implemented in relation to this matter because it deals with matters that
   fall within the category of ‘strategic and negotiation issues’.

CARRIED

5.2 Strategy and Risk (verbal discussion)

The Audit and Risk Committee was informed that a strategy and risk workshop would be
arranged with the new LGA Board in early 2019. This workshop is discussed in further
detail in agenda items 6.1 and 7.4.

5.3 Review of Business Arising Action Statement

Many of the action items listed are being addressed within the Committee’s agenda. Key
points of discussion for items not discussed later are:

• Item 4: Scope of the strategic review into grant programs. A review was
  completed on the Research and Development Scheme but a broader review of
  other grant programs will be prioritised following the strategic planning process
  with the new LGA Board.
• Item 6: Arrange for Price Waterhouse Coopers to brief the Audit and Risk
  Committee on the impacts of the new revenue accounting standard on the LGA’s
financial statement and management reports. This action item has been delayed to the next Audit and Risk Committee meeting due to further work and resources being required and the induction of the new LGA board.

5.4 Audit and Risk Committee Work Program

In reviewing the Committee’s 2018 work program, it highlighted that the LGA had not yet developed a three-year internal audit program which was scheduled to be discussed at the September 2018 Audit and Risk Committee meeting. Given the delays in finalising the risk management plan, the LGA will focus on key risks to prepare a one-year internal audit program for 2019. The longer three-year program will be completed after the risk management workshops with the LGA Board have occurred.

**ACTION:** Management to identify its one-year internal audit program identifying three reviews to be undertaken in 2019

**ACTION:** Include a review of the 3-year audit program on the agenda for June’s Audit and Risk Committee meeting following the risk management workshop with the LGA Board.

7.2 LGA Commercial Activity Update (Confidential)

Minutes retained in confidence

**Moved Ms Christie; Seconded Ms Sneddon**

That the LGA Audit and Risk Committee:

1. *Retained in confidence*

2. Having considered 7.2 LGA Commercial Activity Update in confidence, resolves to retain in confidence the report until such time as the Board agrees to lift the confidentiality order because it deals with matters that fall within the category of ‘strategic and negotiation issues’.

CARRIED

7.3 Long-Term Financial Plan 2019/20 to 2028/29 (Confidential)

Minutes retained in confidence

**Moved Ms Christie; Seconded Ms Sneddon**

That the LGA Audit and Risk Committee:

1. *Retained in confidence*

2. Having considered 7.3 Long Term Financial Plan 2019/20 to 2028/29 in confidence resolves to retain in confidence the report, attachments and the resolution until such
time as the Board agrees to lift the confidentiality order because it deals with matters that fall within the category of ‘strategic and negotiation issues’.

CARRIED

The meeting was adjourned at 12:16 pm
The meeting resumed at 12:25 pm

7.5 LGA Schemes Update (Confidential)

Minutes retained in confidence

Moved Ms Sneddon; Seconded Ms Christie

That the LGA Audit and Risk Committee:

1. Retained in confidence.

2. Having considered item 7.5 LGA Schemes Update in confidences resolves to retain in confidence the report and resolution until such time as the Board agrees to lift the confidentiality order because it deals with matters that fall within the category of ‘strategic and negotiation issues’.

CARRIED

7.6 Tender for external audit services 2018/19 (Confidential)

Minutes retained in confidence

Moved Ms Christie; Seconded Ms Sneddon

That the LGA Audit and Risk Committee:

1. Retained in confidence

2. Retained in confidence

3. Having considered item 7.6 Tender for the external audit services 2018/19 in confidence resolves to retain in confidence the report, attachment and the resolution indefinitely because it deals with matters that fall within the category of ‘strategic and negotiation issues’.

CARRIED

8.1 Audit and Risk Committee Terms of Reference

The report was taken as read and noted.

Moved Ms Christie; Seconded Ms Sneddon

The LGA’s Audit and Risk Committee noted the Audit and Risk Committee Terms of Reference which was adopted by the LGA’s members at the Annual General Meeting held on 26 October 2017.

CARRIED

8.2 Content Management System (Confidential)
Minutes retained in confidence

Mayor Karen Redman left the meeting at 12:36 pm

Following the departure of Mayor Redman, the Audit and Risk Committee no longer had a quorum. The meeting continued due to the presence of Mayor Telfer, LGA Board President. As Mayor Telfer is not an officially appointed proxy, no decisions or formal recommendations were made.

8.3 LGA Board Gift Register (Confidential)

Minutes retained in confidence

6. REPORTS FOR DISCUSSION

6.1 Corporate Governance Framework and Policies

The Audit and Risk Committee provided feedback on the Corporate Governance Framework and the attached policies.

LGA Internal Corporate Governance Framework

The Audit and Risk Committee found the framework useful as it provided context to the policies being reviewed during the meeting. The Committee advised that the following items could be added to the framework:

- Leadership & Governance – “Conflict of Interest (both Board and Management)” be extended to include other committees including Audit and Risk, SAROC and GAROC committees.
- Strategy and Planning - Information Technology Road Map
- Information and Knowledge – Mandatory training
- Strategy and Planning - Strategic Asset Plan.

Policy - Internal Controls (FP101)

This policy describes the purpose and factors to be considered in developing an effective internal control environment at the LGA. The following feedback was provided:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Feedback / Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2</td>
<td>Amendment: Administration and legislation and compliance – including organisation chart and reporting relationships compliance.</td>
</tr>
<tr>
<td>5.3</td>
<td>Amendment: The LGA Audit and Risk Committee Terms of Reference outlines the Committee is responsible for monitoring, advising and providing a degree of reassurance to the Board</td>
</tr>
<tr>
<td>5.8</td>
<td>Feedback: Update this item to explain that an external audit may</td>
</tr>
</tbody>
</table>
assist in identifying risks, but management is responsible for internal controls

Overall, the Audit and Risk Committee requested that the policy is reviewed to ensure that the references to the Committee are consistent with the Committee’s terms of reference.

Policy: Fraud and Corruption (FP102)

The Audit and Risk Committee was advised that this policy was based on the LGA’s model policy to the Local Government Sector and ICAC’s Directions and Guidelines.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Feedback / Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Amendment: (first bullet point) the LGA’s culture and values driving good decision making and continually reinforcing an ethical environment in which there is a zero tolerance for dishonest and fraudulent behaviour is actively discouraged;</td>
</tr>
<tr>
<td>6.2</td>
<td>Amendment (second bullet point) ensuring, when made aware, the Board is informed of any material breaches of ethical standards, codes of conduct, conflicts of interest and Fraud and Corruption policy by a Board or Committee Member or senior executive</td>
</tr>
<tr>
<td>8 (para 1)</td>
<td>Feedback: Expand the reference to “corruption” to include corruption, misconduct and maladministration</td>
</tr>
<tr>
<td>9</td>
<td>Feedback: Delete this paragraph as any fraud or suspected fraud will be reported to the OPI. Include a process for fraud and corruption be reported internally, whether to the CEO or a senior manager. This requirement will need to be consistent with the LGA’s Whistleblowers policy.</td>
</tr>
<tr>
<td>10</td>
<td>Feedback: The Board should determine whether internal reviews should be undertaken. The determination by the Board would include a consideration of the seriousness of the incident.</td>
</tr>
<tr>
<td>Overall</td>
<td>The Audit and Risk Committee requested that once updated, this policy should come back to the Audit and Risk Committee for another review. This can occur out of session.</td>
</tr>
</tbody>
</table>

**ACTION:** This revised Fraud and Corruption policy be provided to the Committee for review.

_Matt Pinnegar left the meeting at 12:53 pm

Matt Pinnegar returned to the meeting at 1:00 pm_
Policy: Risk Management

The Audit and Risk Committee was informed that staff within the LGA’s management team have identified and categorised risks in a register. Further to the discussion at agenda item 7.4 – external audit findings, the Audit and Risk Committee reinforced its previous recommendation to engage an external consultant to assist in preparing a gap analysis between the policy and the LGA’s actual processes. The following feedback was provided.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Feedback / Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Page 69</td>
<td>Feedback: The policy should be expanded to include reference to LGASA Mutual Pty Ltd.</td>
</tr>
<tr>
<td>Page 71</td>
<td>Feedback: Review the roles and responsibilities of the Audit and Risk Committee ensuring consistency with its Terms of Reference.</td>
</tr>
</tbody>
</table>
| Page 79   | Feedback: Development of Risk Appetite is necessary but this may take time to develop. The Board should develop a risk appetite over the next year  
Feedback: The risk appetite should not change “at each level of responsibility” as stated in the policy but may change across different business units. |
| Page 84   | Feedback: This section details an “operational risk register” and a “strategic risk register”. The Audit and Risk Committee believes it is best to have a single risk register covering both operational and strategic risks. |
| Overall   | The framework needs to be updated to reflect the new standards and a gap analysis and project plan needs to be completed to ensure the LGA is complying with this policy once it comes into effect which should be a high priority |

Unsolicited Proposals –

The guidelines for assessing Unsolicited Proposals had been previously tabled at an Audit and Committee meeting but was not reviewed in the context of the overall Governance framework.

The Committee noted that the guidelines need to be made more concise, emphasising that it should be the LGA’s general rule not to accept unsolicited bids. The Committee supported the President’s Statement on page 91 but does not feel the guidelines are ready for issue in their current form. Management see it is important to take a risk based approach when selecting the method of procurement. A balance is needed between restricting unsolicited bids and the need to encourage commercial opportunities by offering protection to a suppliers’ intellectual property and to
capitalise on the LGA’s competitive advance of being an association and not a council.

Other key points of discussion were:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Feedback / Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Page 93 – 4</td>
<td>Feedback: Review and consider deleting the matrix detailing the value scales for decision making. The value of a contract to the LGA will not determine the level of risk of an unsolicited bid. A more appropriate value measure would be the total anticipated cost to the entire local government sector.</td>
</tr>
<tr>
<td>Appendix 1 (page 104)</td>
<td>Feedback: Remove any names listed in the proposal process flowchart</td>
</tr>
<tr>
<td>Overall</td>
<td>• The role of the Audit and Risk Committee has not been stated in the guidelines or attachment 1 - workflow.</td>
</tr>
<tr>
<td></td>
<td>• The role of the LGA in considering Unsolicited Proposals should be better explained in the guidelines.</td>
</tr>
</tbody>
</table>

**Policy Procurement (FP201)**

The Committee highlighted the need to ensure the procurement policy applies equally to the LGA and its subsidiaries. The following feedback was provided.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Feedback / Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 5</td>
<td>Feedback: Approvals should be in writing, and questioned whether the value bands used to determine the preferred purchasing method should be lower</td>
</tr>
<tr>
<td>Item 5</td>
<td>Feedback: Obtaining three quotes should be the preferred process for all low valued bands.</td>
</tr>
<tr>
<td>Item 8</td>
<td>Amendment: The CEO has the responsibility for the implementation of the policy across the organisation.</td>
</tr>
<tr>
<td>Overall</td>
<td>The policy is updated to include references to LGA Procurement’s preferred supplier contracts as this should be the first point of call before considering other procurement processes.</td>
</tr>
</tbody>
</table>

**ACTION:** Report back to the Committee regarding whether LGA Procurement will be using this policy or whether it will use a more specific policy.

**Policy : Purchase Cards – FP202**

The Audit and Committee challenged whether the LGA should be reducing the number of purchase cards it has due to the risks of inappropriate usage which is
more common with the use of credit cards. Management concluded that it was important for the LGA to regularly review which staff have a justified reason for having a card. Management see credit cards as an effective method of payment that are needed to support the LGA’s business.

The Committee noted that although there is a delegation policy in place at the LGA, the Expenses Policy is still being developed. The delegation policy sets who can approve the expenditure of funds but the expenses policy sets reasonable limits on specific types of expenditure.

The following feedback was provided for inclusion in the policy:

- The requirement for all expenses to be signed off and approved by a manager. LGA confirmed this system requirement is in place but not listed in the policy.
- The requirement to provide receipts for all transactions. This requirement is in place but not specifically stated in the policy.
- The policy states that misuse of the card will necessitate the LGA taking disciplinary and or legal action. This requirement should also be referenced in the LGA’s Human Resources policy.

The Committee noted the “Acknowledgement by Cardholder form” which is signed by all staff before receiving a card addresses many of the issues raised above, was not included with the Audit and Risk Committee’s agenda.

**Policy: Treasury Management – (FP301)**

The Audit and Risk Committee noted that the policy was focussed on cash investment and not the broader investment strategy of the LGA and its subsidiaries. The policy review date should change to December 2019 to include LGASA Mutual’s review of its investment portfolio, which is due to occur in 2019.

Further feedback was provided regarding 2.3 Investments:

- The LGA should consider other risk factors in adopting an investment strategy, review the period for borrowing funds and any conditions for investments on the LGA
- The maximum level of investments should be listed.
- The policy should limit investments with approved institutions to a stated credit rating i.e. AAA.

Overall, the policies will be incorporated into mandatory training for all staff and date will need to be set for bringing these policies to the Board for approval for adoption.

The master policy index will be updated to reflect the review date changes suggested by the Audit and Risk Committee and following the approval of the policies by the LGA board.
Finally, the Audit and Risk Committee requested that the policies be reviewed to correctly reflect its Terms of Reference with a paper to be prepared to explain any changes made to the policies.

**ACTION:** The policies be reviewed to ensure they are in line with LGA Procurement and LGASA Mutual and reflect the Audit and Risk Committee’s Terms of Reference. A report be provided to the Audit and Risk Committee outlining any changes made following this review

**Moved Ms Christie; Seconded Ms Sneddon**

That the LGA Audit and Risk Committee noted and provided feedback on the report and attachments on the corporate governance framework and policies.

**CARRIED**

3. **DISCUSSION IN CONFIDENCE**

*Minutes retained in confidence*

Meeting closed at 2:17 pm

9. **NEXT MEETING**

The next meeting of the LGA Audit and Risk Committee is to be advised.

**ACTION:** Sarah Ryan will email the Committee to find a suitable date for the first meeting in 2019, likely to be the end of January or early February subject to the availability of members. A special meeting may be held to consider the shortlist from the external audit tender.

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CHAIRPERSON