



<b>Membership:</b>	The Lord Mayor 1 Council Member 3 External Independent Members 2 Proxy Council Members
<b>Quorum:</b>	<b>3</b>
<b>Presiding Member</b>	Mr David Powell
<b>Deputy Presiding Member</b>	Mr Ross Haslam
<b>Members</b>	The Right Honourable the Lord Mayor [Sandy Verschoor] Councillor Martin Mr Sean Tu [ <b>Apology</b> ]
<b>Proxy Members</b>	<i>Councillor Hyde [proxy for the Lord Mayor]</i> <i>Councillor Knoll [proxy for Councillor Martin].</i>

## 1. Confirmation of Minutes - 19/7/2019

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 19 July 2019 be taken as read and be confirmed as an accurate record of proceedings.

## 2. Acknowledgement of Country

'Council acknowledges that we are meeting on traditional Country of the Kurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.'

## 3. Presiding Member Reports

## 4. Presentation

4.1. Value and Efficiency Update [2016/02624]

## 5. Reports

5.1. Waste & Recycling Management Program [2019/01444] [Page 3]

5.2. Progress Update on 2018-19 Financial Efficiencies and Target [2018/03947] [Page 9]

5.3. Annual Report Risk Statement [2014/05026] [Page 13]

5.4. Audit Committee Performance [2014/05026] [Page 17]

5.5. Internal Audit Progress Update [2019/01064] [Page 20]

## 6. Emerging Key Risks

## **7. Other Business**

## **8. Item Seeking Exclusion of the Public**

### **8.1. Exclusion of the Public to Consider [2018/04291] [Page 24]:**

For the following items seeking consideration in confidence:

- 9.1 Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]
- 9.2 Appointment of Internal Auditor [s 90(3) (k)]

## **9. Confidential Items**

### **9.1. Update on Activities of the Strategic Risk and Internal Audit Group Meetings [2012/00053] [Page 27]**

### **9.2. Appointment of Internal Auditor [2019/01064] [Page 31]**

## **10. Closure**

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# Waste & Recycling Management Program

**ITEM 5.1** 22/10/2019  
**Audit Committee**

2019/01444  
Public

**Program Contact:**  
Michelle English, AD  
Sustainability 8203 7687

**Approving Officer:**  
Ian Hill, Director Growth

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## EXECUTIVE SUMMARY:

In October 2018, the Audit Committee requested a report on Waste Management at the City of Adelaide.

This report focuses on global and national trends, current programs and services provided by the City of Adelaide. It includes the risks associated with waste management and future planned work.

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## RECOMMENDATION:

### THAT THE AUDIT COMMITTEE

1. Notes the report.
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## IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	<p><b>Strategic Alignment – Green</b></p> <p>A detailed measure of reduction in kerbside and general waste will have been developed and influences our work.</p> <ul style="list-style-type: none"> <li>• By the end of 2017, develop and implement a waste recycling and reuse approach for the City that reflects world's best practice and the use of smart technology.</li> <li>• By 2020, Council's New Year's Event will minimise waste to landfill and by 2018, clear guidelines will be developed for event organisers of larger community events on Council-operated areas to achieve zero-waste and carbon neutrality.</li> <li>• Facilitate the reuse and recycling of equipment, consumables and materials used in festivals and events in the City.</li> <li>• Achieve adoption of sustainable commercial practices through incentives, purchasing approaches, waste services and regulation.</li> </ul>
Policy	No impact on Council's policy as a result of this report however, the development of the Waste and Recycling Management Strategy will likely inform future policies surrounding waste and recycling management at the City of Adelaide.
Consultation	Not as a result of this report however, engagement with an external waste consultant has been initiated to a maximum of \$10,000 to support the strategy development.
Resource	Not as a result of this report.
Risk / Legal / Legislative	Not as a result of this report however, the City of Adelaide is exposed to risk via legislated waste collection by the <u>South Australia Environment Protection (Waste to Resources) Policy 2010</u> under the <i>Environment Protection Act 1993</i> . Other areas of risk include health and sanitation risk, financial risk, policy risk and media/community expectation/confidence risk.
Opportunities	Not as a result of this report. Administration is currently undertaking the development of the Waste and Recycling Management Strategy which will identify opportunities for improvement. In conjunction, as a part of the <i>Taking Climate Action: 10 Projects for a Carbon Neutral Council</i> program, Administration is investigating the current waste management services for the City of Adelaide's own internal operations. In addition, new waste contracts are in progress through Council Solutions (COSOL).
19/20 Budget Allocation	\$200,000 for Waste & Recycling Management Strategy development, \$99,000 carry forward from 2018-2019 allocated to waste audit & affiliated reports.
Proposed 20/21 Budget Allocation	Not as a result of this report.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report.
19/20 Budget Reconsideration (if applicable)	Not as a result of this report.
Ongoing Costs (eg maintenance cost)	Not as a result of this report.
Other Funding Sources	Not as a result of this report.

## DISCUSSION

### Recycling in South Australia:

1. The waste management and resource recovery industry is a significant sector of the economy with an annual turnover of approximately \$1 billion. It contributes more than \$500 million to the Gross State Product in South Australia employing around 4,800 individuals largely in the local government and the private sector (Green Industries SA).
2. Extenuating circumstances, including the introduction of the China National Sword Policy in 2018 has led to prohibitively increasing operating costs impacting the entire industry.
3. Australian Territories and States, including South Australia, rely on the exportation of some recyclable material to foreign countries for processing. This includes materials such as plastic, paper and cardboard collected from kerbside, commercial and industrial sources. The introduction of the China National Sword Policy reduced the acceptable level of contamination in source separated material from 5-10% down to 0.5% and restricted the import of certain types of waste materials (MRA Consulting, 2018).
4. In South Australia, high-performing kerbside collection systems and Material Recovery Facilities (MRF) sort recyclables materials however, the residual contamination rates still surpass the new policy. This effectively eliminated exportation of these materials to China causing over-supply in markets and industry-wide disruptions both locally and globally.
5. Sudden lower commodity values in recyclable material increased costs for local processing services. This resulted in recycling facilities, like SKM Recycling, stockpiling recyclable material, leading to health and fire risk and eventually caused operating restrictions placed by the Environmental Protection Agency (EPA).
6. The restrictions on SKM Recycling diminished a competitive market and caused wide-spread disruption for many South Australian councils, including the City of Adelaide. The City of Adelaide was able to negotiate a temporary contract with Northern Adelaide Waste Management Authority (NAWMA), and then Visy to continue the delivery of this essential waste management service.
7. The China National Sword Policy and *War on Waste*, a 2017 Australian documentary television series, have brought the topic of waste to the forefront of our communities.

### Cost to the City of Adelaide:

8. The Solid Waste Levy in metropolitan Adelaide continues to increase which affects the City of Adelaide:
  - 8.1 In 2015-2016, the City of Adelaide sent over 5,946 tonnes of kerbside collected waste to landfill. At \$62/tonne this equaled approximately \$369,000 in Solid Waste Levy fees.
  - 8.2 In 2018-2019, although there was a slight decrease in tonnage sent to landfill, the Solid Waste Levy fee increased to \$100/tonne equaling approximately \$549,000 in fees.
  - 8.3 In July 2019, it was raised to \$110/tonne and it is set to increase again to \$140/tonne in January 2020 (Green Industries SA, 2018). Forecasting an equivalent amount of waste sent to landfill as seen in previous years, in 2019-2020 would cost the City of Adelaide \$745,000 for the Solid Waste Levy alone.
  - 8.4 Council would either need to absorb this fee or pass it on to ratepayers. Note, unspent Solid Waste Levy payments accrued in the Green Industry Fund equals more than \$120 million as of 30 June 2018 (Green Industries SA, p11, 2018).

### City of Adelaide Waste Services:

9. Waste services at the City of Adelaide include diversion from landfill services and are outlined below:
  - 9.1 Residential kerbside collection services:
    - 9.1.1 organics such as food and garden waste (green lid bin)
    - 9.1.2 co-mingled recycling (yellow lid bin)
    - 9.1.3 general waste (red lid bin or hard rubbish/electronics on-call).
  - 9.2 Business kerbside waste services:
    - 9.2.1 co-mingled recycling (yellow lid bin) \*if generates similar volumes as a household
    - 9.2.2 general waste (red lid bin) \*if generates similar volumes as a household
    - 9.2.3 cardboard collection (kerbside).

### 9.3 Collection end-result:

- 9.3.1 Current contract with Visy for kerbside collected recyclable materials (yellow lid bins) and commercial cardboard processing.
- 9.3.2 Collected green waste and food organics (green lid bins) are sent to Jeffries Group, a commercial composter located in Buckland Park. The material is processed into a compost to be reused in home gardens and agriculture.
- 9.3.3 Collected general waste (red lid bin) is sent to landfill at Inkermann (approximately 70km north of Adelaide).
- 9.3.4 Kerbside collection services (aside from commercial cardboard) is contracted to Solo. The service standards, number of services and annual volume are outlined in the two tables below.

Service Type	Current Provider	Service Standard	Number of Services	Annual Volume
Kerbside Domestic Waste Collection	Solo Resource Recovery	Weekly Collection	7,273	4200 tonnes
Kerbside Business Waste Collection	Solo Resource Recovery	Weekly Collection	3,611	
Kerbside Domestic Recycle Collection	Solo Resource Recovery	Fortnightly Collection	6,842	1750 Tonnes
Kerbside Business Recycle Collection	Solo Resource Recovery	Fortnightly Collection	3,398	
Kerbside Domestic Organics Collection	Solo Resource Recovery	Fortnightly Collection	1,860	650 Tonnes

Table 1: Kerbside collection figures

Service Type	Current Provider	Service Standard	Number of Services	Annual Volume
Hard Waste collection at call	Solo Resource Recovery	At Call (Booked Service)	1891	162 tonnes
660L Bins HD Waste & Recycling Both streams	Solo Resource Recovery	Weekly Collection	221	640 tonnes

Table 2: Hard waste at call and multi-unit dwelling 660L collection

### City of Adelaide Advocacy:

10. The City of Adelaide has provided feedback to State and Federal Government enquiries and requests for submissions including: *National Waste Policy 2009: less waste, more resources*, *Waste Levy*, *Turning the Tide on Single-Use Plastic discussion paper*, *Recycling Makes Cents discussion paper* and the *Parliament of SA Inquiry to the Recycling Industry request for submission*. Further details are described below:
- 10.1 *National Waste Policy 2009: less waste, more resources* – discussion paper. In September 2018, the City of Adelaide provided input into the update of the '*National Waste Policy 2009: less waste, resources – Discussion Paper*'. Council supported a policy that incorporated principles of a circular economy and responds to external changes, such as the introduction of the China National Sword Policy.

## 10.2 *Solid Waste Levy* - feedback:

10.2.1 The City of Adelaide submitted a response to the Solid Waste Levy Green Industries SA consultation paper (February 2015) and the Environment Protection Authority's *Container Deposit Scheme Discussion Paper* (2019).

10.2.2 The responses communicated Council's endorsed position which is copied below:

*"All Solid Waste Levy revenue allocated to the Waste to Resources Fund (\$20.868 million in 2014-15) should be used to establish and support the strategic priorities of Green Industries SA, and to stimulate economic activity in the green economy.*

*If there is no intent to increase Green Industries SA funding via Solid Waste Levy revenue, then the Solid Waste Levy should be reduced accordingly."*

## 10.3 *Turning the Tide on Single-Use Plastic discussion paper and Recycling Makes Cents discussion paper* - two submissions provided:

10.3.1 Council suggested that the South Australian Government should consider a holistic and world-leading shift to a compostable carry bag and takeaway food container system. This shift should be systems-based, consumer focused and regulated to simplify and incentivise consumer experiences with single-use product recycling.

10.3.2 Restrictions on single-use plastics is progressing through State Government protocols. In conjunction, Green Industries SA has commenced a Plastic-Free Precinct Pilot Program and Taskforce and the City of Adelaide submitted a Registration of Interest for both. Green Industries SA selected the City of Adelaide's nomination of the Adelaide Central Market and Central Market Arcade to trial the Plastic-Free Precinct Pilot Program.

## 10.4 Parliament of SA Inquiry to the Recycling Industry – response submitted in July 2019 proposing the following recommendations:

10.4.1 Implement a National Waste Management Strategy/Policy that supports a more resilient and local waste management system.

10.4.2 Spend the Solid Waste Levy Fund to support the strategic priorities of Green Industries SA or reduce the Waste Levy fee accordingly.

10.4.3 Transition Australia to a robust circular economy where waste avoidance and enhanced resource recovery is prioritised. Fund National product stewardship strategies and policies to create disincentives and/or ban certain non-recyclable, environmentally harmful materials creating a demand for resource recovery.

10.4.4 Formally review and rewrite procurement policies for all tiers of government to require a level of recyclable content in materials procured to assist in the creation of domestic markets.

### **Risks to the City of Adelaide:**

11. Facility limitations: In South Australia there are limited facilities to process waste materials. The State Government appears to be addressing this through infrastructure grants, however the lack of turnkey infrastructure presents a significant risk. The Council of Australian Governments has recently agreed to move toward banning the export of waste and recyclable material.
12. Health and sanitation risk: Waste services are in place to ensure community health and sanitation.
13. Financial risk: The Solid Waste Levy will increase by 40% to \$140/tonne from January 2020. Local governments are legislated to provide weekly waste services for residents. If waste volume increases, the financial risk to the City of Adelaide increases. With the State Government's current 30-Year Plan targeting growth with an additional 50,000 residents and 170,000 workers by 2040, waste management is critical to mitigate financial risk associated with waste.
14. Policy risk: State Government is investigating restrictions on single-use plastics which may affect the City of Adelaide's service outcomes, noting operational and local facility limitations.
15. Media & community expectation/confidence: waste is highly political and sensitive to media and public scrutiny.



### Work to reduce risk to the City of Adelaide:

16. The City of Adelaide has completed an extensive series of waste audits targeting waste and recycling management in its internal operations and external waste collection services (such as kerbside residential/commercial, multi-unit dwellings and public space collection services) to establish a baseline of waste data.
17. The City's current waste programs have been reviewed and current best practices/case studies have been researched to identify opportunities to improve diversion from landfill and increase the circular economy in Adelaide.
18. The new Waste and Recycling Management Strategy will provide direction for sustainable waste management and will identify priority actions. Opportunities identified through the baseline research will inform the strategy and be used to measure outcomes.
19. The Strategy's scope will include the City's own operations (i.e. Aquatic Centre, Golf Links, Colonel Light Centre and Eagle Chambers, London Road Depot) as well as external waste services such as:
  - 19.1 kerbside residential collections
  - 19.2 kerbside commercial collections
  - 19.3 multi-unit dwelling bulk bin waste management and collection
  - 19.4 public spaces including streets and park lands.
20. The outcome of the Strategy will include:
  - 20.1 opportunities to increase diversion and reduce the quantity of materials sent to landfill
  - 20.2 elements supporting a circular economy
  - 20.3 education and outreach targeted to both the community and internal staff
  - 20.4 innovative approaches for behavioural changes such as incentives.
21. Stakeholders including Council Members, the community, industry and the City of Adelaide's Administration will be consulted throughout the development of the Strategy.
22. New waste contracts are in progress through Council Solutions (COSOL). COSOL is a joint procurement initiative for waste services (to benefit from economies of scale).

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## ATTACHMENTS

Nil

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- END OF REPORT -

# Progress Update on 2018-19 Financial Efficiencies and Target

**ITEM 5.2** 22/10/2019  
**Audit Committee**

2018/03947  
Public

**Program Contact:**  
Tracie Dawber, AD Finance 8203  
7002

**Approving Officer:**  
Clare Mockler, Director  
Community

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## EXECUTIVE SUMMARY:

The draft 2019-20 Integrated Business Plan reviewed by Audit Committee on 7 June 2019 incorporated three efficiency targets and a business operations target. At that meeting, Members of the Audit Committee requested regular updates on progress towards the efficiencies and business operations target during the 2019-20 financial year.

This report provides a preliminary update on progress towards the targets for the quarter ended 30 September 2019.

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## RECOMMENDATION:

### THAT THE AUDIT COMMITTEE

1. Receives and notes the report.

## IMPLICATIONS AND FINANCIALS:

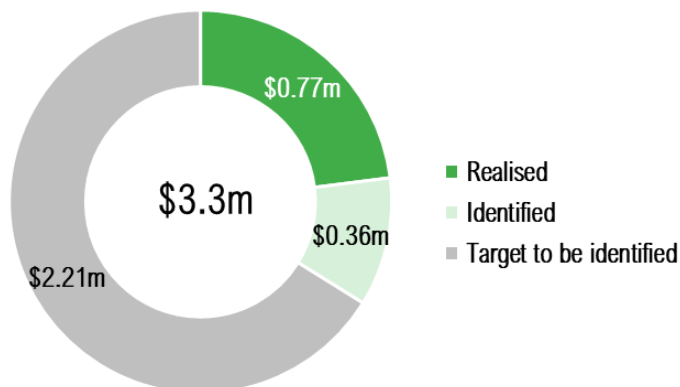
City of Adelaide 2016-2020 Strategic Plan	Not as a result of this report.
Policy	Not as a result of this report.
Consultation	Not as a result of this report.
Resource	Not as a result of this report.
Risk / Legal / Legislative	The efficiencies and targets formed part of Council's 2019-20 Integrated Business Plan developed in accordance with section 123 of the <i>Local Government Act 1999</i> (the Act), and sections 6 and 7 of the <i>Local Government (Financial Management) Regulations 2011</i> .
Opportunities	This report identifies progress against efficiencies and opportunities targets.
19/20 Budget Allocation	Not as a result of this report.
Proposed 20/21 Budget Allocation	No as a result of this report.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report.
18/19 Budget Reconsideration (if applicable)	The efficiencies will be recognised and quarantined as part of the Quarter 1 Revised Forecast to be presented to Council in November.
Ongoing Costs (eg maintenance cost)	Not as a result of this report.
Other Funding Sources	Not as a result of this report.

## DISCUSSION

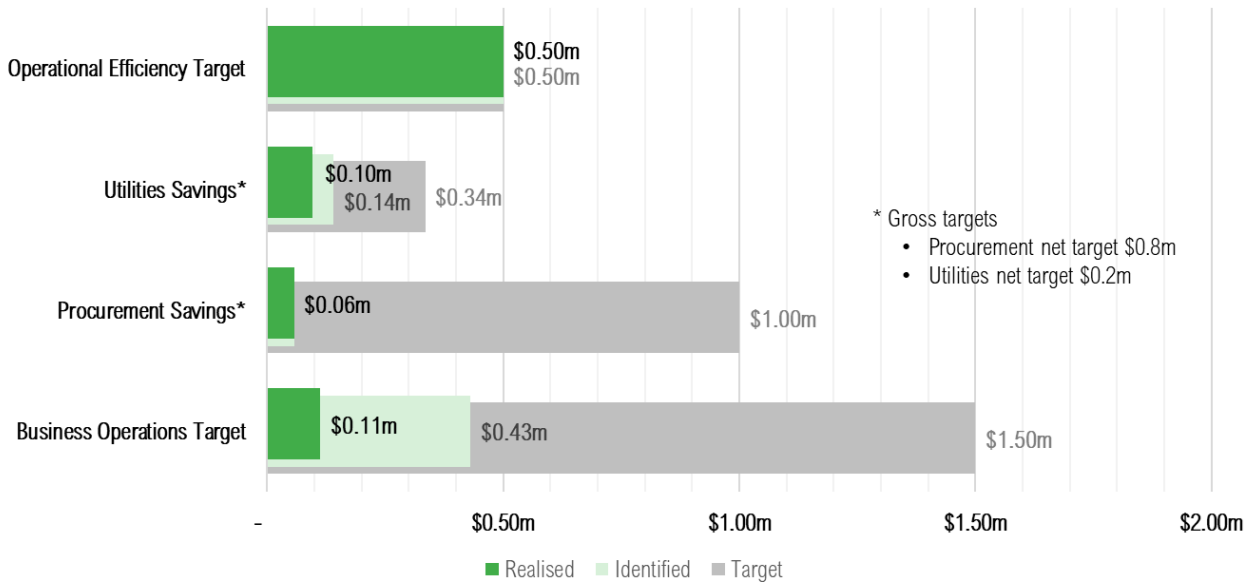
1. The draft 2019-20 Integrated Business Plan presented to Audit Committee on 7 June 2019 incorporated the following efficiencies and targets:
  - 1.1 An operational efficiency target of \$0.5m which was incorporated to balance the draft budget
  - 1.2 A procurement efficiency target of \$0.8m net (\$1.0m gross)
  - 1.3 A utilities efficiency target of \$0.2m net (\$0.335m gross)
  - 1.4 A business operation target of \$1.5m.
2. Members of the Audit Committee requested regular updates on progress towards the efficiencies and business operations target during the 2019-20 financial year.
3. This report identifies the efficiencies and progress towards the target that have either been:
  - 3.1 realised at the end of the first quarter through proposed adjustments to the first quarter revised forecast.
  - 3.2 identified and forecasted to be achieved by the end of the financial year.
4. The following table reports progress towards the efficiencies and target as at 30 September 2019.

Efficiency / Target	Realised	Identified (including realised)	Target
Business Operations Target	\$0.1m	\$0.4m	\$1.5m
Procurement Savings	\$0.1m	\$0.1m	\$1.0m
Utilities Savings	\$0.1m	\$0.1m	\$0.3m
Operational Efficiency Target	\$0.5m	\$0.5m	\$0.5m
<b>Total</b>	<b>\$0.8m</b>	<b>\$1.1m</b>	<b>\$3.3m</b>

5. The following graph represents the total efficiencies and target realised and identified as at 30 September 2019.



6. The following graph provides the progress towards each of the efficiencies and targets.



## ATTACHMENTS

Nil

- END OF REPORT -

# Annual Report Risk Statement

**ITEM 5.3 22/10/2019**  
**Audit Committee**

2014/05026  
Public

**Program Contact:**  
Rudi Deco, Manager Governance  
8203 7442

**Approving Officer:**  
Mark Goldstone, Chief Executive  
Officer

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## EXECUTIVE SUMMARY:

The purpose of the Risk Statement is to provide a brief overview of Council's Risk Management Operating Guideline including internal and external audits, risk identification and assessment and internal controls for inclusion in the Annual Report.

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## RECOMMENDATION:

### THAT THE AUDIT COMMITTEE

1. Review and recommend the statements to be included in the Annual Report outlined in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 22 October 2019.
- .....

## IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	Corporate Activities The role of the City of Adelaide is diverse and complex. Our core role is to deliver services to the community as a leader, service provider, regulator, advocate, facilitator and owner of assets.
Policy	Alignment with the Audit Committee Terms of Reference
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	Not as a result of this report
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
19/20 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. At its meeting on Tuesday 9 December 2014, Council established the Audit Committee for the 2014-2019 Audit Committee term and approved the Audit Committee's Terms of Reference.
2. Pursuant to the Audit Committee's Terms of Reference, the Audit Committee shall keep under review the effectiveness of Council's internal controls and risk management systems and review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.
3. The statement to be included in the annual report outlines the Council's Risk Management Operating Guideline including internal and external audits, risk identification and assessment and internal controls (**Attachment A**).
4. The statement is only a brief overview for the purpose of the Annual Report.

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## ATTACHMENTS

**Attachment A** – Risk Statement

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- END OF REPORT -



## Risk Management Operating Guideline

The Audit Committee was established pursuant to Section 126 of the *Local Government Act 1999*, to assist the Council to discharge its responsibilities. Reporting to City of Adelaide, the Audit Committee provides advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision making by Council in regard to financial reporting, internal controls, risk management, internal audit and external audit.

City of Adelaide maintains an Internal Audit function which reports to management and the Audit Committee. The role of the Internal Auditor is to identify more efficient and effective processes and to assist Council and the Chief Executive Officer to meet their assurance obligations. The Internal Audit function is contracted to KPMG, expiring at the conclusion of 2019. The Internal Audit plan is reviewed and endorsed by the Audit Committee and completed audits are presented to the committee quarterly.

Pursuant to Section 128 of the *Local Government Act 1999*, the External Auditors appointed by Council are BDO Audit Partnership (SA). To maintain the highest standards of corporate governance in relation to auditor independence, the External Auditors are excluded from providing non-audit services to Council. Non-audit services are defined as any service provided by the External Auditors under engagement with the Council outside the scope of the external audit. The Audit Committee reviews the scope and progress of the annual audit in accordance with its Terms of Reference.

### Enterprise Risk Management

City of Adelaide manages strategic, emerging, project, operational, and financial risks through its Risk Management Operating Guideline which has been developed in accordance with International Standard ISO 31000:2018.

The framework ensures risks are identified, assessed, properly managed and reported on. Such a process ensures that Council is able to achieve its strategic goals and provides a level of assurance to the administration and Elected Members.

The success of the Risk Management Operating Guideline is a result of a strong executive involvement through monthly reporting of risk and internal audit matters to the Executive Strategic Risk and Internal Audit Group, and quarterly reporting to the Audit Committee.

### Internal Control Framework

Pursuant to Section 125 of the *Local Government Act 1999*, Council must ensure that appropriate policies and procedures of internal controls are implemented and reviewed to assist Council to carry out its activities. Council's Internal Controls are processes for assuring operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies; such as approvals, delegations, security of assets and segregation of duties.

# Audit Committee Performance

**ITEM 5.4 22/10/2019**  
**Audit Committee**

2014/05026  
Public

**Program Contact:**  
Rudi Deco, Manager Governance  
8203 7442

**Approving Officer:**  
Mark Goldstone, Chief Executive  
Officer

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## EXECUTIVE SUMMARY

Pursuant to the Audit Committee's Terms of Reference, the Audit Committee shall at least once a year, review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness.

The Audit Committee Self-Performance Evaluation was sent to all Audit Committee Members on 4 September 2019. Four responses were received.

This report outlines the results of the evaluation questionnaire.

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## RECOMMENDATION

### THAT THE AUDIT COMMITTEE

1. Reviews the results of the Audit Committee Self-Performance Evaluation outlined in the report to Item 5.4 on the Agenda of the Audit Committee held on 22 October 2019.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities  The role of the City of Adelaide is diverse and complex. Our core role is to deliver services to the community as a leader, service provider, regulator, advocate, facilitator and owner of assets.
Policy	Alignment with the Audit Committee Terms of Reference
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	The self-performance evaluation provides the opportunity to assess and strengthen the activities of the Audit Committee.
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
19/20 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. At its meeting on Tuesday 9 December 2014, Council established the Audit Committee for the 2014-2019 Council term.
2. At its meeting on Tuesday 14 May 2019, Council endorsed the Audit Committee's [Terms of Reference](#).
3. Pursuant to section 9.6 of the Audit Committee's Terms of Reference, the Audit Committee shall at least once a year, review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness.
4. The Audit Committee Self-Performance Evaluation questionnaire was sent to all Audit Committee Members on 4 September 2019. Four responses were received.
5. Overall results from the assessments of the Audit Committee were positive with further clarification and discussion required on several verbatim comments provided, as quoted below:
  - 5.1. Include in council's risk profile climate adaptation and mitigation
  - 5.2. Increase the number of meetings per year as it is lower than many metropolitan councils
  - 5.3. Further input into the Long-Term Financial Plan
  - 5.4. More regular contact with Elected Members
  - 5.5. Include a greater focus on Efficiency and Effectiveness of business processes and service reviews
  - 5.6. Management to raise all significant financial issues with Audit Committee, so Audit Committee can add value and endorse for the matter to be approved at Council.

All results and comments provided are summarised within the report – view [here](#).
6. In response to the comments raised, management has implemented the following improvements:
  - 6.1. The Strategic Risk and Opportunity Register has been updated to include Climate Change. An Executive Leadership Team workshop will be scheduled for when the new Strategic Plan has been adopted later this year
  - 6.2. The Audit Committee work plan includes the four (4) ordinary meetings and one (1) special meeting in October to allow for sufficient time for end of year financial statements
  - 6.3. The Business Improvement team will present to Audit Committee at its meeting 22 October 2019 to provide an update on service reviews performed. This will provide an opportunity to seek input from Audit Committee members for future reports and presentations
  - 6.4. The Long-Term Financial Plan (LTFP) is scheduled to be presented to the Audit Committee at its meeting in February to seek input on key assumptions, risks and opportunities. The significant financial issues will be incorporated into the LTFP discussion in February with consideration given to having a regular update on the LTFP for Audit Committee going forward.

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## ATTACHMENTS

Nil

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- END OF REPORT -

# Internal Audit Progress Update

**ITEM 5.5 22/10/2019**  
**Audit Committee**

2019/01064  
Public

**Program Contact:**  
Rudi Deco, Manager Governance  
8203 7442

**Approving Officer:**  
Mark Goldstone, Chief Executive  
Officer

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## EXECUTIVE SUMMARY:

To provide the Audit Committee with a progress update on the Internal Audit program, findings and recommendations.

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## RECOMMENDATION:

THAT THE AUDIT COMMITTEE

1. Receives and notes the report.
- .....

## IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities The role of the City of Adelaide is diverse and complex. Our core role is to deliver service to the community as a leader, service provider, advocate, facilitator and owner of assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	The Internal Audit program provides advice to the Audit Committee on assurance related activities to meet best practice standards.
19/20 Budget Allocation	\$180,000
Proposed 20/21 Budget Allocation	To be determined
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
19/20 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. The role of Internal Audit is to assist Council, Audit Committee and the Chief Executive Officer in meeting their assurance obligations relating to corporate governance, the system of internal controls and identifying areas for more efficient processes.
2. Pursuant to the Audit Committee's Terms of Reference, approved by Council on 14 May 2019, the Audit Committee shall receive reports on all Internal Audit projects and shall review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor (KPMG). At the request of the Audit Committee, full copies of all completed audit reports are included [here](#).
3. The Internal Audit Plan (the Plan) 2018/2020 was endorsed by Audit Committee at its meeting on 5 October 2017. Minor changes have been made to the Plan in partnership with the SRIA Group to ensure identified audits are still appropriate and will assist in mitigating strategic risks.
4. A summary of internal audits (IA), strategic reviews (SR) and internal investigations (II) for the period August 2019 to September 2019 is provided below:

Completed projects:	Environmental Health Management Stores Management Employee Reimbursements Post-Audit Implementation Legislative Compliance (SR)
Continuing projects:	-
Projects commenced:	Budgets Management Section 7 Statements Employee Travel Expenditure

5. Recommendations arising from Internal Audit and Strategic Reviews are reported to the Executive Strategic Risk and Internal Audit Group. Associate Directors are involved (as appropriate) in the reviews and assist in drafting the management responses, agree on actions, and have overall responsibility of the completion dates.
6. Recommendations, agreed actions, responsibilities and timeframes for implementation are recorded centrally in Council's process mapping software system, Promapp. The implementation status of recommendations is tracked and reported to the Audit Committee.
7. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 19 July 2019, thirteen (13) internal audit recommendations have been completed and one hundred and twenty-two (122) recommendations are in progress (view [here](#)), as summarised in the table below:

Risk	Definition	Overdue	In Progress	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	0	21	<b>21</b>
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives. Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	0	51	<b>51</b>

Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives. Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months	0	27	<b>27</b>
	<b>Total</b>	0	99	<b>99</b>
N/A	Improvement Opportunity	0	23	<b>23</b>

8. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 19 July 2019, two (2) internal investigation recommendations have been completed and two (2) are in progress (view [here](#)), as summarised in the table below:

Risk	Definition	Overdue	In Progress	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	0	0	<b>0</b>
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives. Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	0	0	<b>0</b>
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives. Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months.	0	0	<b>0</b>
	<b>Total</b>	0	0	<b>0</b>
N/A	Improvement Opportunities	0	2	<b>2</b>

## ATTACHMENTS

Nil

- END OF REPORT -



## Exclusion of the Public

**ITEM 8.1** 22/10/2019  
**Audit Committee**

**Program Contact:**  
Rudi Deco, Manager  
Governance 8203 7442

2018/04291  
Public

**Approving Officer:**  
Mark Goldstone, Chief  
Executive Officer

## EXECUTIVE SUMMARY

It is the recommendation of the Chief Executive Officer that the public be excluded from this Audit Committee meeting for the consideration of information and matters contained in the Agenda.

For the following Items for Consideration in confidence

- 9.1.** Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]
- 9.2.** Appointment of Internal Auditor [s 90(3) (k)]

The Order to Exclude for Items 9.1 and 9.2

1. Identifies the information and matters (grounds) from s 90(3) of the *Local Government Act 1999 (SA)* utilised to request consideration in confidence.
2. Identifies the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public.
3. In addition identifies for the following grounds – s 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.

## ORDER TO EXCLUDE FOR ITEM 9.1

### THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in s 90(3) (i) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 22/10/2019 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 9.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

#### Grounds and Basis

This Item is of a confidential nature because the report includes information on Council litigation.

The disclosure of information in this report could reasonably be expected to prejudice the outcome of Council's actual litigation.

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information relates to the actual litigation of council.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of the Audit Committee dated 22/10/2019 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 9.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (i) of the Act.

## ORDER TO EXCLUDE FOR ITEM 9.2

### THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in s 90(3) (k) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 22/10/2019 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 9.2 [Appointment of Internal Auditor] listed on the Agenda.

#### Grounds and Basis

This Item is confidential as a procurement process was conducted for tenders to provide a provision of services to Council.

The disclosure of information in this report could reasonably prejudice the commercial position of the person who supplied the information as part of the tender process.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of the Audit Committee dated 22/10/2019 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 9.2 [Appointment of Internal Auditor] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (k) of the Act.
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## DISCUSSION

1. s 90(1) of the *Local Government Act 1999 (SA)*, directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. s 90(2) of the *Local Government Act 1999 (SA)*, states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in s 90(3).
3. s 90(3) prescribes the information and matters that a Council may order that the public be excluded from.
4. s 90(4) of the *Local Government Act 1999 (SA)*, advises that in considering whether an order should be made under s 90(2), it is irrelevant that discussion of a matter in public may:
  - 4.1 cause embarrassment to the council or council committee concerned, or to members or employees of the council; or
  - 4.2 cause a loss of confidence in the council or council committee.’
  - 4.3 involve discussion of a matter that is controversial within the council area; or
  - 4.4 make the council susceptible to adverse criticism.
5. s 90(7) of the *Local Government Act 1999 (SA)* requires that an order to exclude the public:
  - 5.1 Identify the information and matters (grounds) from s 90(3) of the *Local Government Act 1999 (SA)* utilised to request consideration in confidence;
  - 5.2 Identify the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public; and
  - 5.3 In addition identify for the following grounds – s 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.
6. s 87(10) of the *Local Government Act 1999 (SA)* has been utilised to identify in the Agenda and on the Report for the meeting, that the following matters are submitted seeking consideration in confidence.
  - 6.1 Information contained in Item 9.1 – Update on Activities of the Strategic Risk and Internal Audit Group Meetings
    - 6.1.1 Is not subject to an Existing Confidentiality Order
    - 6.1.2 The grounds utilised to request consideration in confidence is s 90(3) (i)
      - (i) Information relating to the actual litigation, or litigation that the council or council committee believes on reasonable grounds will take place, involving the council or an employee of the council
  - 6.2. Information contained in Item 9.2 – Appointment of Internal Auditor
    - 6.2.1 Is not subject to an Existing Confidentiality Order
    - 6.2.2 The grounds utilised to request consideration in confidence is s 90(3) (k)
      - (k) Tenders for the supply of goods, the provision of services or the carrying out of works.

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## ATTACHMENTS

Nil

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- END OF REPORT -

# Confidential Item 9.1

Update on Activities of the Strategic Risk and Internal Audit Group Meetings

Section 90 (3) (i) of the *Local Government Act 1999 (SA)*

Pages 27 to 30

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# Confidential Item 9.2

Appointment of Internal Auditor

Section 90 (3) (k) of the *Local Government Act 1999 (SA)*

Pages 31 to 34

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