



AUDIT AND RISK COMMITTEE

Agenda and Reports

for the Special meeting on

Wednesday, 11 December 2024

at 9.00 am

in the Colonel Light Room, Adelaide Town Hall

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Our Adelaide.
Bold.
Aspirational.
Innovative.

AUDIT AND RISK COMMITTEE
Special Meeting Agenda, Wednesday, 11 December 2024, at 9.00 am

Membership	The Lord Mayor (ex-officio) 1 Council Member 4 External Independent Members 2 Proxy Council Members
Quorum	3
Presiding Member	Nicolle Rantanen Reynolds
Committee Members	The Right Honourable the Lord Mayor, Dr Jane Lomax-Smith (ex-officio) Mark Davies Paula Davies Simon Rodger Councillor Jing Li

Agenda

Item	Pages
1. Acknowledgement of Country	
‘Council acknowledges that we are meeting on traditional Country of the Kaurna 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 Kaurna people living today.	
And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.’	
2. Apologies and Leave of Absence	
Apology - Paula Davies	
3. Declaration of Conflict of Interest	
4. Reports	
4.1 Fraud Prevention Internal Audit - KPMG	3 - 37
4.2 Lease Management Internal Audit	38 - 64
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5. Workshop	
5.1 Future Fund - function and operation	96 - 103
6. Closure	

Fraud Prevention Internal Audit - KPMG

Wednesday, 11 December 2024

Audit and Risk Committee

Strategic Alignment - Our Corporation

Program Contact:

Kathryn Goldy, Acting Manager
Governance

Public

Approving Officer:

Anthony Spartalis, Chief
Operating Officer

EXECUTIVE SUMMARY

Internal audit is an essential component of a good governance framework. It is the mechanism that enables Council to receive assurance that internal controls and risk management approaches are effective, that it is performing its functions legally and effectively, and to advise how it can improve performance.

The 2024-2025 Internal Audit Plan for the City of Adelaide (CoA) has been developed in consideration of Council's key strategic risks and critical priorities.

In accordance with the Plan an internal audit was performed to review CoA's overarching fraud prevention framework with a specific focus on policies, processes, risks and controls in relation to this framework.

This audit aligns with the Strategic Risk – Ineffective Governance: Ineffective governance leads to operational inefficiencies, legal liabilities and reputational damage.

The internal audit identified nine findings. Two are risk-rated Moderate and four are risk-rated Low. Three Improvement Opportunities were identified.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the Fraud Prevention Framework Internal Audit report provided as Attachment A to Item 4.1 on the Agenda for the Special meeting of the Audit and Risk Committee held on 11 December 2024.
 2. Endorses the response of the Administration to the Fraud Prevention Framework Internal Audit report as outlined in Attachment A to Item 4.1 on the Agenda for the Special meeting of the Audit and Risk Committee held on 11 December 2024.
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IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Internal Audit is an essential component of a good governance framework. It enables Council to ensure it is performing its function legally, effectively and efficiently.
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	Internal audit is an essential component of a good governance framework. It is the mechanism which enables Council to receive assurance that internal controls and risk management approaches are effective, that it is performing its functions legally, and effectively, and to advise how it can improve performance.
Opportunities	Internal audit focuses on compliance, risk management and improvement opportunities. Audits suggest a range of improvement opportunities related to the area being reviewed, enhancing functions and services and aligning Council processes to best practice standards.
24/25 Budget Allocation	\$250,000 is budgeted for external consultancy support as required by the 2024/25 internal audit program.
Proposed 25/26 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
24/25 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

Background

1. The Fraud Prevention Framework Internal Audit was performed by KPMG, in accordance with the 2024-25 Internal Audit Plan

Report

2. This audit aligns with the City of Adelaide (CoA) Strategic Risk—Ineffective Governance: Ineffective governance leads to operational inefficiencies, legal liabilities, and reputational damage.
3. The Fraud Prevention Framework Internal Audit focused on the policies, processes, risks and controls relating to fraud prevention.
4. The objective of the Fraud Prevention Framework Internal Audit included the following:
 - 4.1. Review the effectiveness of the CoA's Fraud Prevention and Control Framework.
 - 4.2. Evaluate the internal controls established for a selection of identified high risk areas.
 - 4.3. Consider the effective implementation of recommendations from the 2020 Fraud Prevention Framework Internal Audit.
5. The findings of the internal audit are indexed into the following risk ratings:

Finding	Risk Rating
Assessment of applicant references	Moderate
Gifts and benefits management	Moderate
Cab charges, fuel cards and refuelling tanks	Low
Bunnings card governance	Low
Petty cash and cash handling	Low
Supplier master file changes	Low
Procurement oversight and conflict of interest declaration	Improvement Opportunity
Fraud prevention training	Improvement Opportunity
Overdue review of the Asset Accounting Policy	Improvement Opportunity

6. Administration has considered the findings and provided actions and time frames to address these findings (outlined in the findings section of KPMG's Fraud Prevention Framework Internal Audit report, **Attachment A**).
7. Management action 2b for Finding 3 to the Fraud Prevention Internal Audit, which was due on 31 October 2024, has been completed.
8. Management action 7 for Finding 7 to the Fraud Prevention Internal Audit, which was due on 30 November 2024, has been completed.

ATTACHMENTS

Attachment A – Fraud Prevention Framework Internal Audit Report

- END OF REPORT -



Fraud Prevention Framework

Internal Audit Report

The Corporation of the City of Adelaide (CoA)

—

November 2024

Acknowledgement of Country

KPMG acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past, present, and future as the Traditional Custodians of the land, water and skies of where we work.

At KPMG, our future is one where all Australians are united by a shared, honest, and complete understanding of our past, present, and future. We are committed to making this future a reality. Our story celebrates and acknowledges that the cultures, histories, rights, and voices of Aboriginal and Torres Strait Islander People are heard, understood, respected, and celebrated.

Australia's First Peoples continue to hold distinctive cultural, spiritual, physical and economical relationships with their land, water and skies. We take our obligations to the land and environments in which we operate seriously.

Guided by our purpose to 'Inspire Confidence. Empower Change', we are committed to placing truth-telling, self-determination and cultural safety at the centre of our approach. Driven by our commitment to achieving this, KPMG has implemented mandatory cultural awareness training for all staff as well as our Indigenous Peoples Policy. This sincere and sustained commitment has led to our 2021-2025 Reconciliation Action Plan being acknowledged by Reconciliation Australia as 'Elevate' – our third RAP to receive this highest level of recognition. We continually push ourselves to be more courageous in our actions particularly in advocating for the Uluru Statement from the Heart.

We look forward to making our contribution towards a new future for Aboriginal and Torres Strait Islander peoples so that they can chart a strong future for themselves, their families and communities. We believe we can achieve much more together than we can apart.



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Executive Summary

In accordance with the 2024/2025 Internal Audit Plan for the Corporation of the City of Adelaide (CoA), an internal audit focussing on the policies, processes, risks and controls relating to the Fraud Prevention Framework was performed. The objective, scope and approach for this internal audit project are outlined below.

Objective

The objective of this internal audit was to:

- Review the effectiveness of the CoA's Fraud Prevention and Control Framework.
- Evaluate the internal controls established for a selection of identified high risk areas.
- Consider the effective implementation of recommendations from the 2020 Fraud Prevention Framework Internal Audit.

Scope of Services

The scope of the internal audit considered the CoA's processes, practices and systems in relation to the Fraud Prevention Framework, with a specific focus on the following:

- Assessed the control design for a sample of agreed key fraud prevention internal controls to determine whether the controls are appropriately designed and capable of reducing the likelihood and consequence of the relevant risk.
- Completed control testing, on a sample basis, for identified controls to understand whether the control is operating as intended.
- Developed observations on whether the CoA's Fraud Prevention training aligns with AS8001:2008 and relevant guidance issued by the Independent Commissioner Against Corruption.
- Conducted stakeholder meetings to discuss status of recommendations proposed in the Fraud Prevention Framework Internal Audit Report dated May 2020 and analysed relevant documentation to confirm implementation of those actions.

A detailed list of the scope and approach is included in **Appendix 1**.

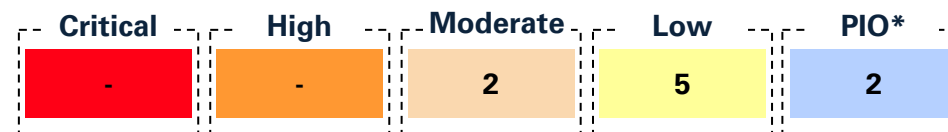
Positive Observations

A number of positive observations were identified during the course of this internal audit and are summarised below:

- Through stakeholder consultation it was evident that staff members have a strong understanding of fraud risk.
- Appropriate and strict user access to the supplier master file was evidenced during sample testing, including segregation of duties between the entering and reviewing of supplier details in TechOne.
- The CoA's level of cash handling risk is diminishing, particularly through on-street parking meters no longer accepting cash.
- Selected fraud prevention controls consistently utilised TRIM Content Manager for recordkeeping purposes.
- The CoA has made strong progress in standardising and automating internal control processes. Examples sighted included the Powerapp gift and benefit workflow, evaluation clauses, and KPI registers.
- Internal Audit noted progress in actions related to the May 2020 Fraud Prevention Internal audit (further detailed in **Appendix 3** to this report).

Summary of Findings

The number of findings identified during the course of this internal audit is shown in the table below. A full list of the findings identified, and the recommendations made, is included in the **Detailed Findings** section of this report. Classification of internal audit findings is detailed in **Appendix 5** to this report.



*PIO: Performance Improvement Opportunity

Executive Summary

The CoA's Fraud Prevention Framework

The fundamental components of the CoA's Fraud Prevention Framework are detailed below.



The Code of Conduct for Employees – Outlines employee required guidelines, within their role as a public official.



Training during the onboarding process – New employees are educated on the values and principles of the CoA during the employee onboarding process.



Overarching organisation policies and operating guidelines – Outlines the CoA key elements and responsibilities which align to fraud prevention techniques.



Public Interest Disclosure (PID) – The CoA PID Policy provides an avenue for information relating to potential corruption, misconduct or maladministration to be reported.



The implementation of and periodic review of controls – The CoA Corporate Governance & Risk team are responsible for coordinating the on-going reviews of key controls on a periodic basis (biannually/annually).

The Strategic Risk and Internal Audit Group (SRIA) is tasked with overseeing the CoA's risk management practices.

Overview of the CoA's Fraud Policy

While the CoA does not have a dedicated Fraud Policy, related requirements are detailed across existing policies and procedures, including the PID Policy, Code of Conduct and Guidelines (including in-scope coverage of counterfeit money, fuel cards, procure-to-pay, hospitality expenses, gifts & benefits, conflict of interest, fixed asset accounting and recruitment & selection guidelines).

Our review of the CoA's current Fraud Prevention Framework and operational practice evidenced sound alignment to the revised fraud and corruption control standard AS8001:2021 (key revisions to the standard are detailed in the **Background** section to this report). Opportunities were identified for the CoA to further support the ongoing identification and management of the fraud risks outlined in the balance of this report.

Summary of Implementation of Past Recommendations

The results of the Fraud Prevention Internal Audit in 2020 identified several areas for improvement in the CoA's overall Fraud Prevention Framework. These included additional consideration of fraud within the organisational risk assessments, further training for staff, and greater controls and detection activities for certain areas of the Council, including Golf Links, Fuel Cards and supplier master file access reviews.

Specifically, the following key updates were noted as being implemented since 2020:

- Uplifting the security and controls relating to inventory at Golf Links and Aquatic Centre;
- Improving controls regarding access to the supplier master file and cash safe codes where required;
- Implementing the "Good Governance Module" to bolster staff training for conflict of interests, fraud risk awareness and all governance requirements;
- Developing a fraud questionnaire, completed annually by members of SRIA, in conjunction with operational risk awareness sessions held with Programs (managers and team leaders) across the CoA on a 6-monthly basis; and
- Implementing TRIM containers to store all Stores Issue Notes electronically.

Summary of key themes and findings

Overall, the CoA has consistently worked to improve its resilience against fraud. This commitment is clearly demonstrated through the diverse range of initiatives detailed above. Moving forward, there is an opportunity for the CoA to enhance governance and fraud risk management processes to further support the mitigation of fraud risks. At a high-level these areas include:

- **Fraud prevention training:** The internal audit identified gaps in the application screening process where process definition and training is required. There is an opportunity for the CoA to curate bespoke fraud prevention training.
- **Review and monitoring of guidelines:** Key guidelines that support governance (including for gifts and benefits, and fuel/transport) do not reflect current practice.
- **Formalisation of procedures and documentation:** There is a lack of formal guidelines for the issuance and use of Bunnings Cards, increasing the risk of unauthorised spending. Moreover, current petty cash and conflict of interest declaration procedures are unclear and need to be further developed.

Background


Overview


The integrity of local government operations is paramount due to the management of public funds and resources. A robust fraud, risk, and control framework is essential to minimise vulnerabilities and to ensure:

- **Public Trust:** Ensuring that resources are used effectively and transparently helps maintain public confidence in government institutions.
- **Regulatory Compliance:** Adherence to regulations and standards is crucial for avoiding legal repercussions and maintaining operational legitimacy.
- **Operational Efficiency:** Effective fraud prevention frameworks safeguard against financial losses and operational disruptions, ensuring that resources are used as intended.
- **Effective Risk Management:** Proactively identifying and mitigating risks associated with fraud helps in maintaining a resilient and responsive governance structure.

Key revisions to the Fraud and Corruption Control Standard AS8001:2021


The Australian Standard AS8001:2021, which provides guidelines for fraud and corruption control, has undergone several key revisions to improve its applicability and effectiveness. Notable updates include:

 **Risk Assessments** – The revised standard places greater emphasis on comprehensive risk assessments, requiring more detailed identification and analysis of potential fraud and corruption risks.

 **Strengthened Governance** – There is a stronger focus on governance structures, including the roles and responsibilities of senior management and oversight bodies in fraud prevention and control.

 **Improved Reporting Mechanisms** – The standard now mandates more rigorous and transparent reporting mechanisms for suspected fraud, ensuring that incidents are documented, investigated, and addressed promptly.

 **Integration with Organisational Culture** – The 2021 revision highlights the need to integrate fraud prevention efforts with organisational culture and values, promoting an ethical environment and encouraging proactive employee engagement in fraud prevention.

 **Updated Training Requirements** – Enhanced training requirements ensure that employees are better informed about fraud risks, prevention strategies, and their role in maintaining the integrity of the organisation.

The CoA's Roles and Responsibilities in Addressing and Responding to Fraud

Effective fraud prevention and response requires clearly defined roles and responsibilities within the CoA. This includes:

- **Councillors and Senior Management:** Leadership are responsible for setting the tone at the top, ensuring that a culture of integrity and ethical behaviour is promoted. They must ensure the implementation of effective fraud prevention and control measures and allocate necessary resources for their enforcement.
- **Corporate Governance:** Corporate Governance plays a critical role in evaluating the effectiveness of the fraud prevention framework, including conducting regular audits, identifying vulnerabilities, and providing recommendations for improvement. They oversee the development and implementation of fraud control governance and ensure compliance with relevant standards and legislation.
- **People Services:** People Services is crucial in implementing and enforcing policies related to employee conduct, including disciplinary measures for fraudulent activities. People Services also plays a role in conducting background checks.
- **Employees:** All employees have a responsibility to adhere to organisational policies and report any suspicious activities. Training programs should educate employees about recognising and reporting fraud, as well as understanding their role in upholding the CoA's ethical standards.
- **Governance Bodies (e.g. SRIA):** Governance bodies are responsible for overseeing the effectiveness of the Fraud Prevention Framework and ensuring that appropriate measures are in place. They provide strategic guidance on fraud risk management.

Summary of Findings

Internal Audit identified two (2) moderate, five (5) low risk-rated findings and two (2) performance improvement opportunities (PIO). The details of the findings are provided in the **Detailed Findings** section of this report. These findings have been individually rated as outlined below. The classification of risk ratings in this report are based on the CoA's risk ratings (as shown in **Appendix 5**).



Rating	Ref #	Finding	Description
Moderate	F1	Assessment of applicant references	Sample testing identified the need for further clarification and adherence to the CoA's application screening process, specifically in regards to the candidate reference checking process. There is a need to enhance training for hiring managers to improve the application of reference checking during the recruitment process.
Moderate	F2	Gifts and benefits management	The current Employee Gifts & Benefits (G&B) Operating Guideline is outdated and does not align with the revised registration practices. There is a need to expedite the approval and implementation of the updated guideline and establish a system for ongoing monitoring and review of G&B records.
Low	F3	Cab charges, fuel cards & refuelling tanks	Internal Audit review identified inconsistencies in the management of cab charges, fuel cards, and refuelling tanks. There is a need to review and update the Hospitality Expenses Operating Guideline and Promapp procedures to ensure alignment with current practices.
Low	F4	Bunnings Cards governance	There is currently no formal guideline or procedural documentation governing the issuance, acceptable use, or reconciliation of Bunnings Cards. The lack of prior approval for purchases under \$2,000 and absence of pre-processing review by financial delegates increases the risk of unauthorised spending.
Low	F5	Petty cash and cash handling	Current petty cash guidance may lack clarity, leading to misuse. There is a need to expand the Procure to Pay Operating Guideline to include detailed instructions on permissible uses and establish a formal system for logging safe counts.
Low	F6	Supplier master file changes	Sample testing identified that amendments to supplier master file records were not fully documented. There is a need to ensure that all amendments are fully documented and regularly reviewed.
Low	F7	Procurement oversight and conflict of interest declaration	Procurements under \$150,000 have limited Procurement Team oversight. There is a need to develop and implement a formal oversight process and ensure Conflict of Interest and Confidentiality declarations are submitted and approved.
PIO	PIO 1	Fraud prevention training	The CoA's Good Governance module lacks dedicated content focusing on fraud and corruption control mechanisms. There is an opportunity to update the module to include dedicated sections on fraud and corruption aligned with better practice resources.
PIO	PIO 2	Overdue review of the Asset Accounting Policy	The Asset Accounting Policy did not undergo the required biennial review in 2022. There is a need to review and update the policy to ensure alignment with current legislative and accounting standards.

Detailed Findings

Finding 1: Assessment of Applicant References

Moderate

Observations	Recommendation(s)	Agreed Management Actions
<p>Sample testing identified the need for further clarification and adherence to the CoA's application screening process, specifically in regards to the candidate reference checking process.</p> <p>The CoA's Recruitment & Selection Operating Guideline establishes the agreed roles, responsibilities and processes for recruiting a vacant position to ensure the CoA's recruitment processes are free from nepotism, direct/indirect discrimination and compliant with relevant legislation.</p> <p>CoA Management has indicated that the Guideline is not applied to casual positions with lower-level responsibilities, however the Guideline does not explicitly exclude casual employment status from its scope. Under Section 'Checking Referees' of the Guideline states: "A minimum two (2) referees must be contacted to obtain a comprehensive background check on the applicant's skills, knowledge, experience, behaviours and performance within their current/previous role or related experiences. The two referees should, where possible, be previous managers or a professional reporting relationship".</p> <p>As a result of sample testing of (5) employee appointments, the following observations were identified:</p> <ul style="list-style-type: none"> In three (3) instances (Staff ID's 126994, 127044 & 227498 representing 2 casual and 1 fixed term part-time appointment), only one (1) reference check was obtained for each candidate. For one of the samples, Staff ID 227498, the check was advised as being conducted verbally without documented evidence to confirm compliance to the CoA's standardised assessment template. In one (1) instance (Staff ID 126994 representing 1 casual appointment), the referee was identified as a family relation and colleague of the applicant. <p>Given these observations, there is a need to further enhance training for hiring managers to improve the application of reference checking during the recruitment process. This is particularly relevant in light of ongoing initiatives such as:</p> <ul style="list-style-type: none"> The development of guidelines to support the completion of the Criminal History Check Risk Assessment and review of the risk matrix to address potential risks and impacts; and The implementation of a new system, "Employee Central", which provides the CoA with an opportunity to review recruitment and onboarding processes and enhance training carried out. <p>Internal Audit acknowledges that the CoA plans to conduct training by the end of 2024 to standardise information and improve awareness among hiring managers.</p> <p><i>(Continued on next page)</i></p>	<ol style="list-style-type: none"> Amend the Recruitment & Selection Operating Guideline to explicitly define its scope, including the applicability or exceptions to different employment statuses. Develop and implement comprehensive training for hiring managers to ensure consistent adherence to approved recruitment practices. 	<ol style="list-style-type: none"> CoA Management will review and update the Recruitment & Selection Operating Guideline to explicitly define the scope, including the applicability or exceptions to different employment statuses. Comprehensive training for hiring managers will be developed and implemented to ensure consistent adherence to approved recruitment practices. <p>Additional resources/guides will also be provided to hiring managers regarding reference checking.</p> <p>Responsibility: Team Leader, People Services</p> <p>Target Date: June 2025</p>

Finding 1: Assessment of Applicant References (cont)

Moderate

Risk(s):	Recommendation(s)	Agreed Management Actions
<p><i>(Continued from previous page)</i></p> <ul style="list-style-type: none"> • Ambiguities or omissions in the Recruitment & Selection Operating Guideline regarding the scope of its application, resulting in inconsistent practices being followed which contravene established guidelines, leading to inconsistencies and potential violations of internal policies or legal requirements. • Inadequate execution of recruitment processes may lead to suboptimal hiring decisions, improper practices, inefficiencies in operations and/or reputational damage. • Lack of proper training and awareness among hiring managers can result in improper application of recruitment procedures. 		

Finding 2: Gifts and Benefits Management

Moderate

Observations	Recommendation(s)	Agreed Management Actions
<p>The current Employee Gifts & Benefits (G&B) Operating Guideline is outdated and does not align with the revised registration practices that have been implemented by the CoA. While a new version of the guideline is in development and will be communicated via internal newsletter once approved, the existing guideline does not provide adequate coverage to support the adopted workflow.</p> <p>Internal Audit identified several observations regarding the management of G&Bs as follows:</p> <ol style="list-style-type: none"> <u>Employee Gifts and Benefits:</u> <ul style="list-style-type: none"> The Operating Guideline does not specify delegation levels or additional approval requirements based on the value of the G&B. There is insufficient clarity within the Guideline regarding the roles and responsibilities for managing G&Bs, specifically for non-traditional G&Bs such as social club events. There is no clear distinction between G&Bs and learning and development activities, such as conference attendance funded by the CoA. There is no monitoring or review of G&B records outside of the quarterly publication process. At the time of Internal Audit testing, review of the CoA's website noted that the January-March 2024 & April-June 2024 G&B registers had not been published. Stakeholders advised that the January-March 2024 register has not been published due to staff leave, and the April-June 2024 register was pending CEO approval. Sample testing of six (6) G&B register entries identified two (2) instances where the value recorded in the register did not align with the stated value in approval request form and/or supporting documentation (\$30 and \$45 variances respectively). <u>Councillor Gifts and Benefits:</u> <ul style="list-style-type: none"> There is no standardised workflow for declaring Councillor G&Bs received through non-Council channels (e.g. direct invitation), we noted: <ul style="list-style-type: none"> The Senior Advisor and the Lord Mayor have weekly meetings to assess the list of invitations. The acceptance or decline of invitations is minuted and stored in Content Manager. As per stakeholder meetings, the Council Liaison Officer (CLO) is responsible for recording events that appear in Councillor calendars. However, there is no confirmation provided by the respective Councillor on the accuracy of the information recorded. The current format of the Elected Members G&B Register (published on the CoA website) does not indicate whether a Councillor has attended the respective event. Stakeholders advised that the current practice involves removing records from the Register if a Councillor does not attend the event. <p><i>(Continued on next page)</i></p>	<ol style="list-style-type: none"> Expedite the approval and implementation of the updated Employee Gifts & Benefits Operating Guideline. As part of the review, the CoA should consider the appropriateness of establishing delegations and approval requirements based on the value of the gift or benefit being declared, and ensure the Guideline clearly distinguishes between G&Bs and learning and development activities. Implement a standardised process for the timely publication of G&B registers. Address discrepancies between the register values and supporting documentation by conducting periodic reconciliation and reviews. 	<ol style="list-style-type: none"> The Employee Gifts & Benefits Operating Guideline is currently being reviewed by Governance with approval obtained from the Chief Operating Officer to progress. The frequently asked questions currently on the internal website clearly defines the distinction between gifts & benefits and learning activities. A standardised process will be documented in Promapp to ensure timely publication of the register. <p>Responsibility: Manager Governance</p> <p>Target Date: March 2025</p>

Finding 2: Gifts and Benefits Management (cont)

Moderate

Observations	Recommendation(s)	Agreed Management Actions
<p><i>(Continued from previous page)</i></p> <p>Risk(s):</p> <ul style="list-style-type: none"> Outdated guidelines and lack of clear delegation and approval process may lead to non-compliance with regulatory requirements and internal policies. Discrepancies in recorded G&B values and delayed publication of registers compromise the accuracy and integrity of G&B management. This could result in financial misstatement and reduced transparency. Absence of ongoing monitoring and review processes increases the risk of undetected errors or fraudulent activity. Additionally, lack of resource redundancy may disrupt operations. Inconsistent handling of Councillor G&Bs and inadequate workflows may lead to unreported or misclassified benefits. 	<ol style="list-style-type: none"> Establish a system for ongoing monitoring and review of G&B records beyond the quarterly publication process. Develop and implement a standardised workflow for declaring Councillor G&Bs, including those received outside of Council channels. Ensure the CLO's responsibilities are clearly defined and supported by adequate resources. Retain records of non-attended events with an appropriate field to indicate attendance or acceptance. 	<ol style="list-style-type: none"> At the time of audit, Governance was in the process of automating the gifts and benefits authorisation process to ensure accurate information is entered into the register. The two examples that showed a discrepancy were using the old system and the request form did not match the system (data entry error). When a staff member submits a gift and benefits form, they must attach supporting documentation, which will be reviewed prior to approval. This information is automatically uploaded to the register and email notification is forwarded to Governance to review and upload to Content Manager. A form will be created available for Council Members to fill out to declare any events received or declined outside of the Council Liaison Officer (CLO). The CLO role will be included in the Council Members Allowance and Benefits Policy (the onus is on the Member to declare and the CLO to record). Further training to be performed with other team members to be able to conduct the workflow in the absence of the CLO. Amend the current spreadsheet to include declined events. Discuss with the Office of the Lord Mayor who will need to action the Lord Mayor's declined events. <p>Responsibility: Manager Governance</p> <p>Target Date:</p> <ol style="list-style-type: none"> Completed February 2025 December 2024

Finding 3: Cab Charges, Fuel Cards & Refuelling Tanks

Low

Observations	Recommendation(s)	Agreed Management Actions
<p>Internal Audit review across a range of the CoA's transportation and refuelling arrangements, including cab charges, fuel cards, and refuelling tanks identified a number of observations:</p> <ol style="list-style-type: none"> <u>Cab charges:</u> <ul style="list-style-type: none"> The Hospitality Expenses Operating Guideline, which governs the distribution of cab charges, is overdue for review (next review was due in July 2023). Sample testing across six (6) business units noted inconsistent processes used in the management of cab charges, including the following controls not being consistently performed: <ul style="list-style-type: none"> Pre-approval for cab charge travel by an appropriate delegate; Registers for tracking and reconciling cab charge cards; and Supporting document retention in Content Manager. <u>Fuel cards:</u> <ul style="list-style-type: none"> Fuel card daily and monthly limits are inconsistent between the Fuel Card Operating Guideline (\$200 and \$700, respectively) and Promapp procedures (\$150 and \$500). The recent revision in fuel card limits due to increased petrol costs should be updated in Promapp. The CoA staff are required to enter the vehicle's odometer reading at each transaction, however this is not reviewed for reasonableness or compared to previous readings. The CoA does not monitor fuel card usage for vehicle utilisation or ongoing need. No exception reporting is generated for unusual transactions (e.g. weekend or outside business hours). Note: Some business units operate outside standard hours (e.g. parking officers). There is no requirement to retain or review fuel card transaction receipts for reconciliation. <p><i>Continued onto next page</i></p>	<ol style="list-style-type: none"> Review and update the Hospitality Expenses Operating Guideline and Promapp procedures to ensure alignment with current practices. Complete the transition to a Corporate Uber account as previously agreed. Implement a review process for odometer readings, monitor fuel card usage, and generate exception reporting for atypical transactions. 	<ol style="list-style-type: none"> The Hospitality Expenses Operating Guideline was updated and endorsed on 23rd September 2024. Following this endorsement, Promapp will be updated, and a Corporate Uber account set up in line with the guideline. <p>Responsibility: Manager Finance & Procurement</p> <p>Target Date: December 2024</p> <ol style="list-style-type: none"> Establish periodic review process for the Fuel Card Operating Guideline and ensure clarity of responsibilities within Fuel Card Acknowledgement Form. Odometer reading from fuel card transactions will be tracked and reviewed for exceptions reporting, with communications back to the work group area for process reminders. <p>b) Align contents of Operating Guideline and Promapp with respect to Daily and Monthly limits.</p> <p>Responsibility: Fleet Management Office</p> <p>Target Date:</p> <ol style="list-style-type: none"> March 2025 October 2024

Finding 3: Cab Charges, Fuel Cards & Refuelling Tanks (cont)

Low

Observations	Recommendation(s)	Agreed Management Actions
<p><i>(Continued from previous page)</i></p> <p><u>Refuelling tanks:</u></p> <ul style="list-style-type: none"> The CoA has both in-ground (Fuel Depot) and above ground (Green Waste Nursery and Golf) fuel tanks. Stakeholders advised that the current Datafuel system is outdated with limited access to quality reporting, necessitating research and development of a business case for upgrading to an integrated system for both tank types. Similar to fuel cards, fuel transactions for fuel tanks are not monitored for reasonableness / appropriateness of utilisation. <p>Risk(s):</p> <ul style="list-style-type: none"> Inefficiencies and errors may arise due to inconsistent and outdated procedures. Inadequate monitoring and lack of documentation could result in financial mismanagement, fraud, or misuse. Non-compliance with guidelines and audit recommendations could lead to breaches of internal policies and regulatory requirements. 	<p>3. For any business cases developed for upgrading the fuel management system, ensure consideration of both in-ground and above-ground tanks. Implement monitoring measures for fuel transactions and utilisation.</p>	<p>3. Monitoring will be implemented for fuel transaction and utilisation as a secondary action following on from the information review currently underway to ensure data used is accurate.</p> <p>Responsibility: Fleet Management Office</p> <p>Target Date:</p> <p>a) Data Review by June 2025</p> <p>b) Data Cleansing and Monitoring System Implemented by April 2026</p>

Finding 4: Bunnings Cards Governance

Low

Observations	Recommendation(s)	Agreed Management Actions
<p>There is currently no formal guideline or procedural documentation governing the issuance, acceptable use, or reconciliation of Bunnings Cards. In the absence of supporting governance, the following gaps were noted:</p> <ul style="list-style-type: none"> Bunnings Card purchases under \$2,000 are processed against a blanket purchase order (PO) approved by an appropriate financial delegate at the start of the fiscal year. However, individual purchases under \$2,000 do not receive approval prior to acquisition. Further, purchases made with Bunnings Cards are not subject to review by a financial delegate before they are coded and processed. As a result, Team Leaders do not have adequate oversight of Bunnings Card purchases made. Stakeholders advised that the existing workflow does have the capability to include an approval requirement, however this has not been implemented. There is no signed cardholder acknowledgement form prior to issuing a Bunnings card. This omission means there is no formal confirmation that staff members understand the terms and conditions associated with the use of the Bunnings Card. Bunnings Card purchases greater than \$2,000 require a separate purchase order to be created in accordance with financial delegations. Sample testing of three (3) Bunnings Card transactions identified that in one (1) instance, there was no separate PO and financial approval process for the transaction exceeding \$2,000. <p>This finding has been assessed as 'Low' risk due to the potential financial impact of Bunnings Card purchases under \$2,000.</p> <p>Risk(s):</p> <ul style="list-style-type: none"> The lack of prior approval for purchases under \$2,000 and absence of pre-processing review by financial delegates increases the risk of unauthorised/inappropriate spending, misuse of funds and decreased oversight. Without a formal approval process and cardholder acknowledgement, the CoA risks non-compliance with its financial delegation policies and internal controls in addition to limited staff accountability. 	<ol style="list-style-type: none"> Develop or include within an existing Operating Guideline coverage on Bunnings Card issuance, acceptable use, and reconciliation. This should include clear approval processes for both purchases under and over \$2,000. Develop a Bunnings cardholder acknowledgement form outlining the terms and conditions of card use and responsibilities. Require all cardholders to sign the acknowledgement form to ensure awareness and agreement to these terms. Implement a quarterly spot audit process for a sample of Bunnings Card purchases to review appropriateness of coding and processing. 	<ol style="list-style-type: none"> CoA Management will include within the Operating Guideline coverage on Bunnings Card issuance, use and reconciliation. The process for approvals has been changed to ensure Team Leader sign off for all purchases under and over \$2,000. This will need to be documented and communicated to all Bunnings cardholders and will form part of the terms and conditions of use and responsibilities. A Bunnings Card acknowledgement form will be created to outline the terms and conditions of usage of the card. All cardholders current and new will need to read and sign this form. A quarterly spot check will be implemented to sample test Bunning Card purchases to review appropriateness of coding and processing. This will be scheduled in Promapp as a reminder. <p>Responsibility: Associate Director City Operations</p> <p>Target Date:</p> <ol style="list-style-type: none"> March 2025 March 2025 December 2024

Finding 5: Petty Cash and Cash Handling

Low

Observations	Recommendation(s)	Agreed Management Actions
<p>Current petty cash guidance, detailed in section 1.4 of the Procure to Pay Operating Guideline:</p> <ul style="list-style-type: none"> Restricts petty cash purchases to less than \$20 in circumstances where a Purchase Card is not accepted; and Requires the completion of a petty cash voucher and retention of tax invoice receipts. <p>Stakeholder consultations advised of instances where petty cash has been utilised for purchases covered by supplier agreements, suggesting that the Guideline may lack clarity.</p> <p>Cash balances in safes are manually recorded in Excel spreadsheets. Stakeholders have indicated interest in a formal and systematic process to log safe counts to improve oversight and validation by Accounts Receivable.</p> <p>Risk(s):</p> <ul style="list-style-type: none"> Inadequate guidelines may lead to petty cash misuse, resulting in unnecessary expenses. Manual recording of safe counts increases the risk of errors and misappropriations. 	<ol style="list-style-type: none"> Should the CoA continue to maintain petty cash, expand the Procure to Pay Operating Guideline to include detailed instructions on permissible uses. Ensure effective communication of the guideline to all relevant staff to prevent misuse. Establish a formal system for logging safe counts to improve data accuracy and reconciliation. Develop procedures for regular oversight and validation by Accounts Receivable to improve cash handling accuracy and accountability. 	<ol style="list-style-type: none"> The Procure to Pay Operating Guideline is scheduled for review in 2024. The guideline for the use of Petty Cash will be updated to reflect permissible uses. Procedures for the recording of balances will be developed and shared to ensure consistency across the organisation. The establishment of a system will be investigated following the development of the procedures. <p>Responsibility: Manager Finance & Procurement</p> <p>Target Date: December 2024</p>

Finding 6: Supplier Master File Changes**Low**

Observations	Recommendation(s)	Agreed Management Actions
<p>Sample testing of two (2) supplier master file creation/amendments identified that in one (1) instance (Vendor No. 15512), audit evidence within the AP Chart Audit Report did not indicate that the Australian Business Number (ABN) amendment was performed as required by the request.</p> <p>Risk(s):</p> <ul style="list-style-type: none"> Failure to properly document and update the ABN could result in non-compliance with regulatory requirements. Inaccurate supplier information can lead to misdirected payment and difficulties in tracking financial transactions, impacting operational efficiency and reliability. 	<ol style="list-style-type: none"> Reiterate to staff the relevant procedures and requirements for all master file changes. Regularly review AP Chart Audit Report audit trails to ensure completeness and accuracy of supplier information changes. 	<ol style="list-style-type: none"> Agree. Weekly AP Chart Audit Reports are generated, and an independent review is undertaken. The review process is completed prior to the next AP payment run, and is currently completed within the Procure to Pay team. Going forward, spot checks of changes to supplier master file changes will be undertaken within the Financial Planning & Reporting team to ensure the review is complete and accurate. <p>Responsibility: Manager, Finance & Procurement</p> <p>Target Date: Completed</p>

Finding 7: Procurement Oversight and Conflict of Interest Declaration

Low

Observation	Recommendation(s)	Agreed Management Actions
<p>There is a need to uplift procurement current controls.</p> <ul style="list-style-type: none"> Procurements under \$150,000 have limited Procurement Team oversight. The planned upgrade to the Contract Management System (CMS) for broader visibility is understood to be optional, not mandatory. For procurements above \$150,000, the Procurement and Contract Management Guidelines requires "All participants in the procurement evaluation process must complete a Conflict of Interest and Confidentiality Declaration." The Team Leader, Procurement & Contract Management, is then responsible for reviewing and approving that this activity is completed. The current process for Conflict of Interest declarations is completed via Outlook, with plans for this process to be integrated during the CMS upgrade. During sample testing for two (2) procurements, evidence was not able to be provided for one (1) instance to demonstrate that the conflict of interest and confidentiality declaration had been completed for one member of the evaluation panel (the Procurement & Contract Management Advisor). <p>Risk(s):</p> <ul style="list-style-type: none"> Failure to obtain Conflict of Interest and Confidentiality Declarations from each evaluation member could lead to biased decisions, favouritism, or unfair advantage, undermining the integrity of the procurement process. Without a confidentiality declaration, there is no formal agreement to protect sensitive procurement information, increasing the risk of unauthorised disclosure. 	<ol style="list-style-type: none"> Develop and implement a formal oversight process for procurements valued under \$150,000. This may include regular reviews and audits of these procurements to ensure compliance with procurement policies and procedures. It is recommended that the CoA provide a reminder to all staff to ensure that the Conflict of Interest and Confidentiality Declaration is completed by all members of the Evaluation Panel. 	<ol style="list-style-type: none"> The current Procurement Policy states that Council will undertake an open competitive market approach for all Procurements valued over \$150,000. These procurements are performed within the Procurement and Contract Management System (PCMS). The Policy is due for review by Council in 2024/25. Through this review the threshold of \$150,000 will be retested with administration and Council to determine if the limit requires amendment. Conflict of Interest declarations are completed for all procurements managed by the Procurement Team within PCMS. A reminder of the process will be sent prior to the commencement of new procurement activities through the development of a work instruction which will detail the requirements on the process. The completed declarations are stored and maintained in Content Manager at present. Through the PCMS upgrade, there is the ability to store within the system against each procurement activity. A work instruction will be completed. <p>Responsibility: Acting Manager, Finance & Procurement</p> <p>Target Date:</p> <ol style="list-style-type: none"> June 2025 November 2024

PIO 1: Fraud Prevention Training

PIO

Observation	Recommendation(s)	Agreed Management Actions
<p>The CoA's Good Governance module includes a number of topics relevant to ethical behaviour and compliance, including employee behavioural standards, gifts & benefits, conflicts of interest and other critical areas. However, it lacks dedicated, in-depth content focusing on fraud and corruption control mechanisms.</p> <p>Fraud and corruption risks are significant, and their management requires specific knowledge and procedural familiarity that extends beyond the scope of general governance training. Existing resources such as those detailed below offer valuable guidance on these issues but are not sufficiently integrated into the current training module:</p> <ol style="list-style-type: none"> AS8001:2008 & AS8001:2021 - Fraud and Corruption Control Treasurers' Instruction 12 Local Government Act 1999 (SA) Freedom of Information Act 1991 (SA) Independent Commission Against Corruption South Australia Publications Independent Commission Against Corruption South Australia Education Resources 	<ol style="list-style-type: none"> Update the Good Governance module (or develop stand-alone training) to include dedicated sections on fraud and corruption, incorporating materials and guidelines from key resources. Establish a regular review process to ensure that the fraud and corruption training content remains current with any changes in legislation or best practices. 	<ol style="list-style-type: none"> The Good Governance module will be reviewed to include additional slides on fraud and corruption. This will include any relevant guidelines/materials necessary. A Promapp reminder will be placed as part of the 12 monthly self-assessment incorporated in the internal controls review cycle to ensure that the fraud and corruption training content within Good Governance remains current. <p>Responsibility: Manager Governance</p> <p>Target Date: March 2025</p>

PIO 2: Overdue review of the Asset Accounting Policy

PIO

Observation	Recommendation(s)	Agreed Management Actions
<p>The Asset Accounting Policy, which aids the CoA in maintaining assets (including the treatment of capital expenditure, depreciation, revaluations, disposals and acquisitions) in accordance with legislative and accounting standard requirements, did not undergo the required biennial review in 2022.</p> <p>The Policy was last reviewed 8 September 2020 and as a result, the Policy has not been updated in accordance with the established review cycle, potentially impacting its alignment with current legislative and accounting standards.</p>	<ol style="list-style-type: none"> Undertake a review of the Asset Accounting Policy to ensure alignment with current legislative and accounting standards. Update the Policy to address any discrepancies or outdated information. Develop and maintain a documented schedule and tracking system for all policy reviews to monitor policy review dates and compliance with review schedules. 	<ol style="list-style-type: none"> The Asset Accounting Policy is scheduled for review in 2024. There have been no changes to Accounting Standards which impact the current Policy. Responsibility: Manager, Finance & Procurement Target Date: December 2024 A tracking database for all policy and guidelines exists within the Strategy, Insights & Performance (SIP) SharePoint site. The SIP team have presented the schedule of policies and guidelines for review to the Executive and Senior Leadership team on a quarterly basis and will assist with tracking the review of the policies and guidelines in accordance with the schedule. Responsibility: Manager, Strategy, Insights and Performance Target Date: Completed

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Appendix 1 – Scope of Work

Internal Audit Program 2024/2025: Fraud Prevention Framework

Background

In accordance with the 2024/2025 Internal Audit Plan for the Corporation of the City of Adelaide (CoA), an internal audit focussing on the policies, processes, risks and controls relating to Fraud Prevention Framework was performed. The objective, scope and approach for this internal audit project are outlined below.

Objective

The objective of this internal audit was to review the effectiveness of the CoA's Fraud Prevention and Control Framework through evaluation of internal controls established for a selection of high risk areas. The internal audit also included consideration of the effective implementation of recommendations from the 2020 Fraud Prevention Framework Internal Audit.

Scope of services

The scope of the internal audit considered the CoA's processes, practices and systems in relation to Fraud Prevention Framework, with a specific focus on the following:

- Assessed the control design for a sample of key fraud prevention internal controls to determine whether the controls were appropriately designed and capable of reducing the likelihood and consequence of the relevant risk.
- On a sample basis, undertook control testing for identified controls to understand whether the control was operating as intended.
- Developed observations on whether current CoA Fraud Prevention training is aligned with AS8001:2008 and relevant guidance issued by the Independent Commissioner Against Corruption.
- Reviewed the status of recommendations from the Fraud Prevention Framework Internal Audit Report dated May 2020.

Approach

This engagement was performed using the following approach:

- Discussed and agreed 10-12 fraud controls for review. For selected fraud controls relating to disbursement of Council funds, agreed key payment types sampled to assess potential fraud risk within the respective payment process.
- Assessed the adequacy of design and whether existing controls were operating as intended.
- Developed observations on whether the current CoA training aligned with AS8001:2008 and relevant guidance issued by the Independent Commissioner against Corruption.
- Conducted stakeholder meetings to discuss status of recommendations proposed in the Fraud Prevention Framework Internal Audit Report dated May 2020 and analysed relevant documentation to confirm implementation of those actions.
- Close-out meeting held with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.
- Prepared an internal audit report including identified control gaps, and recommendations for strengthening controls and aligning to better practice.

Appendix 2 – Controls Selected for Sample Testing

A summary of controls selected for review and sample testing as recording in the CoA's risk register or otherwise agreed with the CoA Management.

Category	Risks	Controls Description
Cash Handling	Fraud (i.e., misappropriation of funds)	Golf - There is a process in place to ensure all cash is adequately safeguarded.
		A current and appropriate Cash Handling Policy and/or Procedure is in place.
		Petty Cash records are reviewed and retained by Finance.
	N/A – not currently present in the CoA Risk Register	Deposits are recorded, banked and reconciled by different people.
		Deposits are securely locked away and balanced daily.
Misuse of Staff Discounts / Corporate Cards	N/A – not currently present in the CoA Risk Register	Bank statements are reconciled daily.
		Process and controls for issuance, use and reconciliation of Bunnings Card.
		Cab Charge Card/Voucher Policy/Procedure is implemented and within review date.
		Cab Charge Cards & Vouchers are kept in secure location and access limited to nominated custodians.
Creation of suppliers	Supplier master file data does not remain pertinent and/or authorised changes are made to the supplier master file.	Cab Charge Card/Voucher records are reviewed and reconciled against the monthly statement.
		Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.
Gifts and Benefits	N/A – not currently present in the CoA Risk Register	Requested changes or additions to supplier master file are verified independently of source documentation.
Contractor Evaluation and Selection	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.	Entries on the Gifts and Benefits Register are reviewed on a regular basis.
		There are robust and transparent evaluation and selection processes in place to engage contractors where relevant in accordance with Code of Conduct, Conflict of Interest and Procurement Policy.

Appendix 2 – Controls Selected for Sample Testing (Cont.)

Category	Risks	Controls Description
Conflicts of interest verification, including assessment of panel members	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.	The selection panel is made up of appropriate personnel who have declared any relevant conflict of interest to ensure that informed and objective decision is made when selecting contractors.
	Actual or perceived favouritism and/or collusion	Conflict of interest declarations are required for all tender evaluation for over \$150k, requirement for minimum 3 evaluators.
	Breach of confidentiality and/or security	Conflict of Interest declarations are required for all evaluators, details of confidentiality requirements distributed to evaluators.
Misuse of minor equipment	Fixed Assets are inadequately safeguarded	Where appropriate, identification details are recorded for portable and attractive assets such as IT and fleet assets on acquisition to facilitate accurate identification.
Background Screening / Credential Checking & Onboarding	Inexperienced staff are employed	References and past work experience of new employees are verified and documented.
	N/A – not currently present in the CoA Risk Register	Police checks have been undertaken in the recruitment for all identified positions.
	N/A – not currently present in the CoA Risk Register	Induction program for all new staff members includes communication on organisational value, code of conduct, public interest disclosure policy and fraud and corruption management policy.

Appendix 3 – Status of Implementation of Past Recommendations

Finding No.	Finding Title	Risk Rating	Recommendation	Agreed Management Action	Internal Audit Evaluation
1	Fuel card operating guidelines are not clearly outlined or supported by effective controls	Moderate	<p>CoA to develop a Fuel Card Guideline or further expand the Light Vehicle Guidelines to include:</p> <ul style="list-style-type: none"> Defining who may use fuel cards and how access is provided (including security requirements). A register may be used to record fuel card holders which should be reviewed on a periodic basis Processes for remitting expenditure (e.g. registration of vehicle, odometer reading, and timeliness of providing receipt) Regularity of expenditure review, including the use of data analytics Annual declarations provided by employees acknowledging their compliance with the Fuel Card Policy Procedure to report lost cards. <p>Roles and responsibilities relating to fuel card usage and procedures to be followed where non-compliances are identified.</p>	<p>A Fuel Card Guideline will be developed and address the following:</p> <ul style="list-style-type: none"> Document the process of issuing fuel cards (including approval) to CoA Staff Define which staff are required access to a fuel card Document the process when a fuel card is lost Define the process for remitting expenditure including the completion of a detailed monthly review over all purchases made. <p>Included in the guideline will be a template for annual declarations which will be completed by staff that have an assigned fuel card acknowledging their compliance with the Fuel Card Guideline. The Guideline will also include roles and responsibilities relating to fuel card usage, as well as noting the frequency of the review of the content of the guideline.</p> <p>The process of issuing fuel cards, approvals, recording lost cards and review cycle will be also documented in Promapp.</p>	<p>Status: Partially Complete</p> <p>Internal Audit notes that a Fuel Card Operating Guideline has been developed as of March 2022 which includes a staff declaration (signature) to acknowledge their compliance with this guideline.</p> <p>While accompanying Promapp procedures have been developed, the guideline does not provide detailed information on the process for issuing of fuel cards or the approval process. More guidance is required to clarify which staff members are required/permitted access to fuel cards.</p>
2	Security and controls relating to inventory at Golf Links and Aquatic Centre	Moderate	<ol style="list-style-type: none"> Aquatic Centre undertake a review of POS systems which are available and address the current deficiencies noted. Golf Links, in accordance with the implementation of POS Swift (a new POS system) review stocktake procedures and available system stock reports. Controls are to be implemented to ensure where variances are identified, they are appropriately investigated, formally documented and segregation of duties appropriately evidenced. For both Golf Links and Aquatic Centre all stock counts should be signed by the person undertaking the count and the person entering information into the system. Counts should be "blind" with people counting items not provided information as to the expected stock on hand. Golf Links and Aquatic Centre staff should be reminded of the importance of securing store rooms when they are not attended. 	<ol style="list-style-type: none"> Aquatic Centre will undertake a review and controls will be put into place to address the issues that have arisen from this audit. Golf Links will document procedures in Promapp to reflect the implementation of the new POS system, including controls implemented to ensure that variances are identified, investigated and formally documented with appropriate segregation. Remind staff that storerooms with public access to doorways need to be behind self-closing, permanently locked doors allowing exit only for fire escape purposes. All other stock needs to be monitored by staff if it is accessible to public. <p>A reminder will be placed in Promapp on an annual basis to provide awareness to staff that storerooms to be secured at all times.</p>	<p>Status: Complete</p>

Appendix 3 – Status of Implementation of Past Recommendations

Finding No.	Finding Title	Risk Rating	Recommendation	Agreed Management Action	Internal Audit Evaluation
3	An excessive amount of CoA staff have user access to the supplier master file	Moderate	<ol style="list-style-type: none"> Update the user profiles of CoA staff who do not require access to modify AP Chart Data to analysis as a default (no ability to enter or adjust information), unless permission is explicitly provided by Management from the Finance team. Amend the TechOne profile for Management Accountants to remove the ability to create, modify and delete AP Chart Data. 	<ol style="list-style-type: none"> Finance will review and update the user profile of CoA staff who should not have access to modify the AP Chart Data. Finance will amend the TechOne profile for Management Accountants to ensure that the profile does not have the ability to create, modify and delete AP Chart Data. 	Status: Complete
Page 31 4	Fraud awareness and prevention training is not provided to CoA staff on a recurring basis	Moderate	<p>Internal Audit recommends that CoA continue with the development and roll out of the Good Governance module which may assist in increasing employees' understanding of fraud prevention, detection and response activities. It is further recommended the Good Governance module considers inclusion of the following:</p> <ul style="list-style-type: none"> Definitions and examples of fraud Code of Ethics and ethical tools for decision making and professional conduct The organisation's fraud control policy, red flags, how to respond if fraud is suspected What the investigation process is and an overview of detective and preventative initiatives contained within the fraud control strategy. 	The Good Governance module is scheduled for release in May 2020 and will be sent to employees every two years for completion. The Good Governance Module includes governance requirements that must be followed by all staff. For example, accepting gifts and benefits, risk management practices, policy management, delegations etc. This Module (along with the ICAC Public Office training) will provide staff information every two years of their responsibilities.	Status: Complete, however, refer to PIO 1 for further enhancement opportunities.
5	Cash safe access codes are not regularly updated at Golf Links or Aquatic Centre	Moderate	<ol style="list-style-type: none"> Safe codes are to be changed annually and when someone with access to the larger safe at each site leaves the CoA. A register should be developed to record the date any changes are made. The importance of securing safes and inventory stores when left unattended should be communicated to staff. Recent examples can be used to reiterate the importance of securing the safe and inventory. Internal Audit notes Golf Links Management have reminded staff of the importance of securing the safe when unattended after the recent incident. 	<ol style="list-style-type: none"> Safe codes to be changed immediately and a reminder to be placed in Promapp to ensure an annual change of safe codes occurs. Remind staff storerooms with public access to doorways need to be behind self-closing, permanently locked doors allowing exit only for fire escape purposes. All other stock needs to be monitored by staff if it is accessible to public. A reminder will be placed in Promapp on an annual basis to provide awareness to staff that storerooms to be secured at all times. 	Status: Complete

Appendix 3 – Status of Implementation of Past Recommendations

Finding No.	Finding Title	Risk Rating	Recommendation	Agreed Management Action	Internal Audit Evaluation
6	Operational risks assessments are performed, however do not specifically consider fraud risks	Low	<ol style="list-style-type: none"> Further develop the operational risk assessments process to consider fraud risks. The fraud risk assessments should be conducted across the entire organisation, including by business units, functions, locations and processes. The responsibility for ensuring fraud is considered within the formal risk assessments should be assigned to Senior Management. Utilise the established formal risk assessments to structure a fraud detection program. Highest priority risks identified should inform where resources and attention is directed with data analytics considered where possible. Detection activities should be communicated to the whole organisation as a deterrent effect. The responsibility for the detection program should be assigned to Senior Management with knowledge of the objective of each specific check. 	<ol style="list-style-type: none"> Operational risk awareness sessions are currently held with Programs (managers and team leaders) across CoA on a 6-monthly basis. With additional resources in the team, these awareness sessions (including a review of operational risk assessments) will be conducted on a quarterly basis. Fraud risk awareness will form part of the Good Governance Module; however, this will also be incorporated in the quarterly Operational Risk Awareness sessions with Programs. Annually a fraud questionnaire is sent to members of SRIA to be completed (this includes Executive and Associate Directors from Programs of high-risk activity). This will be incorporated in the quarterly Operational Risk Awareness session. Risk detection will be included in the Good Governance Module which will be an annual requirement for all staff to complete. Completed records to be retained by the Training & Organisational Development team. 	Status: Complete
7	Stock issue notes received by the Depot are not stored in accordance with operating procedures	Low	Internal Audit recommends that CoA implement a method for storing issue notes electronically in TRIM in accordance with Record Management operating Guidelines. Issue notes may be uploaded once daily as a file containing all items issued that day.	CoA has implemented a TRIM container to store all of the Stores issue notes electronically. This process is effective immediately and is part of the activities followed by the Store Person. The CoA is also currently documenting all procedures in the Stores Management within Promapp. All issue notes are stored in the appropriate TRIM container for future reference.	Status: Complete
8	Potential conflicts of interest are not required to be declared for sole sourced procurements	Low	<ol style="list-style-type: none"> Update the Procurement Policy and Procurement and Contract Approvals Operating Guidelines to include reference to a requirement to complete potential COI declarations for sole source procurement. This should be communicated to all employees involved in the procurement process. Where training is provided to employees in relation to them fulfilling approval duties Learning and Development are notified of training undertaken. 	<ol style="list-style-type: none"> Management agree, the Procurement Policy and Procurement & Contract Approvals Operating Guideline will be updated to include clear reference to the requirements of completing COI declarations for sole source procurements. The training for conflict of interest in relation to employees fulfilling approval duties has been included in the Good Governance module in the Learning and Development program. 	<p>Status: Partially Complete</p> <p>The CoA has included conflict of interest training in the Good Governance module.</p> <p>However, the Procurement and Contract Management Operating Guideline does not include clear reference to the requirements of completing COI declarations for sole source procurements.</p>

Appendix 4 – Stakeholders Consulted

The table below outlines all personnel who were involved in discussions and contributed to the observations in this report.

Name	Role
Nicole Van Berkel	Acting Manager, Finance & Procurement
Janet Crook	Team Leader, Corporate Governance & Legal
Simon Cope	Team Leader, Procurement & Contract Management
Annette Pianezzola	Risk & Audit Analyst
Bec Aitken	Team Leader, People Services
Louise Williams	Manager, People Services
Sia Orman	Corporate Governance Advisor
Sharon Harvey	Council Liaison Officer
Michelle Reyes-Smith	Team Leader, Operational Support
Aleta Gunn	Fleet Coordinator
Tony Bellini	Leading Hand, Field & Plant
Courtney Gale	Team Leader, Golf

Appendix 5 – Classification of Internal Audit Findings

The following framework for internal audit ratings is based on the CoA's risk assessment matrix.

Rating	Definition	Examples of business impact	Action(s) required
Extreme/Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Detrimental impact on operations or functions. • Sustained, serious loss in reputation. • Going concern of the business becomes an issue. • Decrease in the public's confidence in the CoA. • Serious decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Life threatening. 	<ul style="list-style-type: none"> • Requires immediate notification to the CoA Audit Committee via the Presiding Member. • Requires immediate notification to the CoA's Chief Executive Officer. • Requires immediate action planning/remediation actions.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> • Major impact on operations or functions. • Serious diminution in reputation. • Probable decrease in the public's confidence in the CoA. • Major decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries. 	<ul style="list-style-type: none"> • Requires immediate CoA Director notification. • Requires prompt management action planning/remediation actions.

Appendix 5 – Classification of Internal Audit Findings

The following framework for internal audit ratings is based on the CoA's risk assessment matrix.

Rating	Definition	Examples of business impact	Action(s) required
Moderate	Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> Moderate impact on operations or functions. Reputation will be affected in the short-term. Possible decrease in the public's confidence in the CoA. Moderate decline in service/product delivery, value and/or quality recognised by stakeholders. Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. Medical treatment required. 	<ul style="list-style-type: none"> Requires the CoA Director and/or Associate Director attention. Requires short-term management action.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> Minor impact on internal business only. Minor potential impact on reputation. Should not decrease the public's confidence in the Council. Minimal decline in service/product delivery, value and/or quality recognised by stakeholders. Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. First aid treatment. 	<ul style="list-style-type: none"> Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days).

Appendix 6 – Disclaimer

Inherent Limitations

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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Lease Management Internal Audit

Wednesday, 11 December 2024

Audit and Risk Committee

Strategic Alignment - Our Corporation

Program Contact:

Kathryn Goldy, Acting Manager
Governance

Public

Approving Officer:

Anthony Spartalis, Chief
Operating Officer

EXECUTIVE SUMMARY

The 2023-24 Internal Audit Plan for the City of Adelaide (CoA) has been developed in consideration of Council's key strategic risks and critical priorities.

Internal audit is an essential component of a good governance framework. It is the mechanism that enables Council to receive assurance that internal controls and risk management approaches are effective, that it is performing its functions legally and effectively, and to advise how it can improve performance.

In accordance with the Plan, an internal audit was performed of CoA's overarching lease management framework with a focus on policies and procedures.

This audit aligns with the Strategic Risk – Relationships: Poor relationships with the community, government and private sector.

The internal audit identified eight findings. Two are risk-rated High, one risk-rated Moderate and three risk-rated Low. Two Improvement Opportunities were identified.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the Lease Management Internal Audit report provided in Attachment A to Item 4.2 on the Agenda for the Special meeting of the Audit and Risk Committee held on 11 December 2024.
 2. Endorses the response of the Administration to the Lease Management Internal Audit report as outlined in Attachment A to Item 4.2 on the Agenda for the Special meeting of the Audit and Risk Committee held on 11 December 2024.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Internal Audit is an essential component of a good governance framework. It enables Council to ensure it is performing its function legally, effectively and efficiently.
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	Internal audit is an essential component of a good governance framework. It is the mechanism that enables Council to receive assurance that internal controls and risk management approaches are effective, that it is performing its functions legally, and effectively, and to advise how it can improve performance.
Opportunities	Internal audit focuses largely on compliance, risk management and improvement opportunities. As such, audits suggest a range of improvement opportunities related to the area being reviewed, enhancing functions and services and aligning Council processes to best practice standards.
24/25 Budget Allocation	\$250,000 is budgeted for external consultancy support as required by the 2024/25 internal audit program. This Audit as found in Attachment A was an outcome from the 2023/24 budget.
Proposed 25/26 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
24/25 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

Background

1. The Lease Management Internal Audit was performed by City of Adelaide’s (CoA) Risk and Audit Analyst, in accordance with the 2023-24 Internal Audit Plan.

Report

2. This audit aligns with the CoA Strategic Risk – Relationships: Poor relationships with the community, government and private sector.
3. The Lease Management Internal Audit focused on the review of lease management practices for commercial and community leases managed by the CoA.
4. The objectives of the Lease Management Internal Audit included review of the following:
 - 4.1. Processes in place in relation to lease management including entering into the leases, lease terminations and managing ongoing lease arrangements:
 - 4.1.1. Annual reviews (including rent reviews)
 - 4.1.2. Site inspections
 - 4.1.3. Consideration of any sub-lease arrangements
 - 4.1.4. Processes in regard to regulatory enforcement
 - 4.1.5. On-charging of costs to tenants
 - 4.1.6. Debt management
 - 4.1.7. Property maintenance
 - 4.1.8. Accounting treatment for the leases
 - 4.2. Transitioning of tenants onto new leases in line with the leasing policy for community leases.
 - 4.3. Governance structures to facilitate fair and equitable decision-making for tenants (including third-party contractors/panels).
 - 4.4. Processes in place for determining rental assessments of a lease and how this is implemented.
 - 4.5. Community vs commercial leases.
 - 4.6. Processes in place for properties that are leased by Council.
5. The findings of the internal audit are indexed into the following risk ratings:

Finding	Risk Rating
Inefficient debtor management	High
No standardised documented procedures	High
Potential for misleading accounting for leases	Moderate
Outdated Policy and Operating Guideline	Low
No maintenance completion notification sent	Low
Undertake a broader review of property management	Low
Opportunity to utilise in-house expertise for simple community leases	Improvement Opportunity
Opportunity to utilise Progenesis as a full lease management system	Improvement Opportunity

6. Administration has considered the findings and provided actions and time frames to address these findings (outlined in the findings section of the CoA’s Lease Management Internal Audit report, **Attachment A**).
7. Management action 1 for Finding 5 to the Lease Management Internal Audit had a due date of 30 November 2024 and this has been completed.

ATTACHMENT

Attachment A – Lease Management Internal Audit

- END OF REPORT -

INTERNAL AUDIT REPORT: LEASE MANAGEMENT

Prepared by: Annette Pianezzola, Risk & Audit Analyst

October 2024



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Distribution			
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Mike Philippou	Associate Director Strategic Property & Commercial	The City of Adelaide	Audit and Risk Committee
Jennifer Kalionis	Associate Director City Culture	Michael Sedgman	Chief Executive Officer
Nicole Van Berkel	Acting Manager Finance & Procurement		
Noni Williams	Associate Director City Operations		
Mark Goudge	Associate Director Infrastructure		

1. EXECUTIVE SUMMARY

In accordance with the 2023-24 Internal Audit Plan for the City of Adelaide (CoA), an internal audit focussing on the Council's lease management framework was performed. The objective, scope, approach, and findings are outlined below.

2. OBJECTIVES

This internal audit project covered six key elements:

- Processes in place in relation to lease management including entering into the leases, lease terminations and managing ongoing lease arrangements:
 - Annual reviews (including rent review)
 - Site inspections
 - Consideration of any sub-lease arrangements
 - Processes in regard to regulatory enforcement
 - On charging of costs to tenants
 - Debt management
 - Property maintenance
 - Accounting treatment for the leases
- Review of transitioning of tenants onto new leases in line with the leasing policy for community leases
- Assessment of governance structures to facilitate fair and equitable decision-making for tenants (including third-party contractors/panels)
- Processes in place for determining rental assessments of a lease and how this is implemented
- Community vs commercial leases
- Processes in place for properties that Council lease

This review is included in the 2023-24 Internal Audit Plan to assure the CoA Executive Team, the Executive Strategic Risk and Internal Audit Group (SRIA), and the CoA Audit and Risk Committee (ARC).

3. SCOPE

This audit has assessed the overall lease management framework.

3.1 Scope Topics

The eight main audit areas are:

- **Governance Framework** – are there relevant policies/procedures and guidelines in relation to lease management in place for community and commercial leases? Are we adhering to legislative requirements? How do we transition tenants onto new leases in line with current policies? What processes are in place for sub-letting of leases of tenancies?
- **Roles and Responsibilities** – what is the overall organisation structure, resources, roles and responsibilities? What is our role and responsibility as the lessor to the tenants? What is the role and responsibility of the tenants? Is the relationship between various programs (i.e. Facilities and leasing teams) functioning well?

- **Valuations** – what are our current processes for determining rental assessments for commercial leases? How do we apply these to community leases? How does this compare to market trends? Do we use vendor panels?
- **Financial reporting** – how do we account for the lease vs should we be accounting for it?
- **Facilities Management / Maintenance** – what processes are involved in scoping, scheduling, completing and auditing for proactive and reactive facilities maintenance? Are maintenance schedules maintained and if not, what risk exposure does this pose to Council? Are service levels set in line with lease obligations by the Asset Management team and how are these tracked and executed?
- **Community vs Commercial** – is the terminology for identifying types of leasing appropriate?
- **Properties Council lease** – what processes are in place for properties that Council lease? Are these processes documented and followed?
- **Systems** – what systems are used to manage lease management and debt collection? Who has oversight of lease management and debt collection?

3.2 Timeframes

- The scope was developed and approved by SRIA on 21 March 2024. The audit began in April 2024.
- Consultation and meetings with relevant stakeholders occurred from April to July 2024 to gather and source information.
- Meetings with action owners and report finalisation occurred in August 2024.
- The report will be presented to SRIA in September 2024.
- The final report will be presented to the ARC in December 2024.

4. METHODOLOGY

The audit focused on the lease management framework and processes against the following guidelines and procedures:

- Adelaide Park Lands Leasing and Licensing Policy
- Adelaide Park Lands Leasing and Licensing Operating Guideline

The engagement was performed using the following approach:

- CoA staff member Annette Pianezzola, Risk and Audit Analyst performed the audit.
- One-on-one discussions with relevant CoA programs:
 - City Culture
 - Strategic Property & Commercial
 - Finance & Procurement
 - City Operations
 - Infrastructure
- Review relevant documentation associated with the lease management process, including agreements between lessors and lessees.
- Review of roles and responsibilities, including if community leases that are structured commercially are located in the relevant team.
- Review of lease renewal processes and rental assessments.
- Review of maintenance requests, proactive or reactive.
- Review of accounting treatment of leases.
- Review of the management of the properties Council lease.
- Identification of any performance improvement opportunities.

5. BACKGROUND

5.1 Commercial or Community

The properties that the City of Adelaide (the lessor) leases are classified as Commercial or Community. Commercial properties are defined as properties within the city, including North Adelaide, that are not within the Park Lands and are based on commercial, corporate, or residential uses. A commercial lease will generate income. Community properties are those situated in the Park Lands, and these can be a combination of community recreational facilities or commercial buildings such as hospitality. A community lease will generate a community outcome. However, there are commercial properties that are within the Park Lands under this portfolio, that hold a commercial outcome.

The Strategic Property and Commercial program within the City Services Portfolio at CoA manages the commercial properties. The Strategic Property Management team manages 93 leased properties, including a corporate and residential component. In addition, the program manages eight properties in which CoA are the lessee.

The City Culture program within the City Shaping Portfolio at the CoA manages the community properties. The Community Lifestyle team manages 69 community-defined leases, which also include commercial leases.

Both the Strategic Property Management and Community Lifestyle teams seek independent market valuations for all commercial leases.

6. FINDINGS

The number of findings identified during the audit is shown in the table below.

The Summary of Findings section of the report contains a complete list of the identified findings and agreed-upon management actions. Risk ratings are listed in Appendix 1.

Findings	Risk Rating
Inefficient debtor management	High
No standardised documented procedures	High
Potential for misleading accounting for leases	Moderate
Outdated Policy and Operating Guideline	Low
No maintenance completion notification sent	Low
Undertake a broader review of property management	Low
Opportunity to utilise in-house expertise for simple community leases	Improvement Opportunity
Opportunity to utilise Progenesis as a full lease management system	Improvement Opportunity

7. CONSULTATION

The following CoA stakeholders were involved in meetings throughout this audit:

- Shaun Coulls, Manager Commercial & Property Leasing
- Jennifer Kalionis, Associate Director City Culture
- Nicole Van Berkel, Acting Manager Finance & Procurement
- Corna Kotze, Senior Advisor Corporate & Commercial Property
- Sue Fox, Commercial Contracts & Leasing Coordinator
- Rebecka Newland, Property Officer
- Lori Hunt, Property Officer
- Judith Mulconray, Licensing Leasing & Project Coordinator
- Carmel Boffa, Accounts Receivable Officer
- Danielle Pedler, Financial and Capital Accountant
- Gina Borg, Finance Business Partner
- Alex Santo, Finance Business Partner
- Lyndee Payne, Finance Analyst
- Jamie Stefanato, Community Facilities Coordinator
- Jacque Opie, Community Leasing Coordinator
- Sarah Wuttke, Asset Manager Building
- Shane Moeller, Work Group Leader Facilities Maintenance
- Aaron Brewer, Technical Officer Facilities Maintenance

8. SUMMARY OF FINDINGS

Ref #1 Inefficient debtor management	Rating: High
Description of finding	Agreed Actions
<p>Identification: <u>Invoicing:</u> Rent and on-charges (e.g. electricity, outgoing, etc.) are invoiced on a monthly basis. In November 2022, the process of raising an invoice transitioned from Technology One (Council's enterprise finance system) to Pathway (Council's enterprise resource planning system, enabling local governments to manage regulatory services, land, property revenue, and customer requests). For each respective area, Community Lifestyle and Strategic Property Management will provide the relevant information such as dollar amount and description to charge to Finance who will reconcile and complete a spreadsheet with the information that is provided. This is then forwarded to Accounts Receivable who will raise the invoice and forward it to the tenant. The reason for the transition from directly sending the information directly to Accounts Receivable as in other areas of the organisation, is due to the fact that errors have occurred and Finance had to rectify the accounts and create credit notes to amend the statements.</p> <p>The payment terms in Pathway are set to 30 days from the 1st of each month. However, some lease agreements have a payment term of 90 days. This causes confusion for the tenant as the invoice due date is not in line with the lease agreement. In addition, as per the <i>Retail and Commercial Leases Act 1995</i>, it is legislated that for on-charges such as electricity supporting documentation must be provided to the tenant if the lessor is to on-charge those costs. Pathway does not allow for supporting documentation to be forwarded along with the invoice.</p> <p><u>Payment of Invoices:</u></p>	<ol style="list-style-type: none"> 1. Finance will investigate with the support of the Information Management team whether read-only access can be given to a debt type (Property) within the debtors module in Pathway. Target Date: December 2024 2. The Accounts Receivable team will lead the scope of work required to configure the generation of credit notes within Pathway and seek external support. Noting budget reconsideration to deliver the work will be required. Target Date: March 2025 3. Statements will be run for a sample of debtors to confirm accuracy. Once confirmed, statements will be issued to Property Debtors. Target Date: March 2025 4. Finance will work with the Community Lifestyle and Strategic Property Management teams to ensure information is reviewed for accuracy and completeness within the teams internally prior to sending to Accounts Receivable to eliminate the double handling and duplication of effort. Target Date: June 2025

When the tenant receives the invoice, payment is made. However, if a payment is made via ePathway the payment will be made against the oldest invoice, not the invoice that the tenant is paying. This is on occasions when no remittance is received to determine which invoice payment it to be allocated to. However, most tenants make payment via EFT and these payments can be allocated to the correct invoice that they are paying as long as they have identified the invoice.

Statements and Credit Notes:

Statements are unable to be produced from Pathway, which causes more confusion if there are outstanding invoices. The reason is historical: the inability to apportion journals due to technical issues and incorrectly allocated payments. This has recently been rectified. However, manual allocations are still required.

Credit note adjustments are generated in Pathway; however, the team currently creates the physical credit note document manually.

Additionally, Community Lifestyle and Strategic Property Management maintain the relationship with the tenant so when discussing outstanding invoices, they are unable to determine which invoices are outstanding and which invoices have been paid, as they do not have access to the production system of Pathway to view the debtor module. The Strategic Property Management team are diligent in following up on outstanding arrears, however, the Community Lifestyle team would rely on Accounts Receivable to inform them if payment was not received.

In the review of the current process, it has been noted duplication of effort where multiple staff are involved in raising, and monitoring invoices and payments received. Statements cannot be issued to the tenants, to inform them of any outstanding amounts at any given point in time. The respective Community Lifestyle and Strategic Property Management team would be able to monitor the debtor

5. In conjunction with the Technology One Post Implementation Review audit, investigations will be performed to determine the most appropriate system to raise and receipt Property invoices.

Target Date: June 2025



Lease Management

transactions in Technology One and contact the tenant if there were any arrears.

Recommendation:

1. Provide respective teams 'read-only' access to the debtor module in Pathway.
2. Commence sending statements.
3. Consult with Infor to configure the generation of the credit note document directly from Pathway.
4. Train the respective teams to correctly raise invoices directly with Accounts Receivable.
5. Consideration to be given to investigate the potential to use either Technology One, Progenesis or Pathway to raise invoices for the following reasons:
 - Respective teams able to raise invoices (if applicable)
 - Select the correct payment terms
 - Ability to attach supporting documents
 - Monitor outstanding debts
 - Correct allocation of receipting
 - Ability to issue statements

Position Responsible: Manager Finance & Procurement

Target Date: As above

<p>Ref #2 No standardised documented procedures</p>	<p>Rating: High</p>
<p>Description of finding</p> <p>Identification: In discussion with the Community Lifestyle team that manages the community-defined properties in the Park Lands, it was noted that there were no documented processes or procedures on, items including (but not limited to):</p> <ul style="list-style-type: none"> • Expression of interest and how this is managed • Lease arrangements • Renewal of leases • Inspections etc <p>Furthermore, in discussion with Strategic Property Management, some processes were documented in Process Manager (the Council’s process management system); however, it appears that not all processes have been documented to ensure that knowledge is retained.</p> <p>Documenting processes and procedures is imperative to ensure that knowledge is not lost. Without documentation, knowledge may not be retained by the organisation.</p> <p>Recommendation:</p> <p>1. Document all processes and procedures in Process Manager for community-defined properties.</p> <p>2. Perform a review of all processes across the portfolio to ensure standardisation. Review and update the current processes in Process Manager and document any that are missing for commercial-defined properties.</p>	<p>Agreed Actions</p> <p>1. The Community Lifestyle Team will develop standardised lease and licence templates and operating procedures by December 2025. Responsibility: Associate Director City Culture Target Date: December 2025</p> <p>2. The Strategic Property Management team will create procedures for all lease management processes. Responsibility: Associate Director Strategic Property & Commercial Target Date: June 2025</p>
<p>Position Responsible:</p>	<p>Associate Director City Culture / Associate Director Strategic Property & Commercial</p>
<p>Target Date:</p>	<p>As above</p>

Ref #3 Potential for misleading accounting for leases	Rating: Moderate
Description of finding	Agreed Actions
<p>Identification: The accounting treatment of leases is stated in the Australian Accounting Standards Board (AASB) 16 which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>If CoA controls an asset, the lessee must recognise depreciation of the right-of-use asset and interest on the lease liability and classify cash repayments of the lease liability as financing activities in the statement of cash flows.</p> <p>Similarly, if CoA is the lessor and the lease satisfies the classification criteria of a finance lease (for example, the lease term covers the majority of the useful life of the asset), then the lease will need to be recognised as a finance lease on the balance sheet and the asset disposed of from the asset register as it is no longer considered owned and controlled by CoA.</p> <p>Financial implications of a lease being classified as a finance lease include:</p> <ul style="list-style-type: none"> • If CoA are requested to perform works of a capital nature they would need to be expensed rather than capitalised • If the assets are not adequately maintained CoA may receive a depleted asset at the end of the lease but won't have accounted for the renewal works in their asset management plans, as the asset is not financially recognised on the register. <p>In discussions with Finance, the recognition of leases can be somewhat reactive and is reliant on notification from the businesses, or review of the general ledger. Preferably the accounting treatment</p>	<ol style="list-style-type: none"> 1. As per finding 2, include in the documented processes, requirement to notify Finance prior to execution for leases greater than 12 months. Responsibility: Associate Director City Culture Target Date: December 2025 2. As per finding 2, include in the documented processes, requirement to notify Finance prior to execution for leases greater than 12 months. Responsibility: Associate Director Strategic Property & Commercial Target Date: June 2025 3. Provide read-only access to Progenesis for the Financial & Capital Accountant and relevant finance staff. Responsibility: Associate Director Strategic Property & Commercial Target date: December 2024 4. Investigate the use of the accounting module in Progenesis. Responsibility: Associate Director Strategic Property & Commercial Target date: December 2025

<p>for leases will be reviewed at, or prior to inception so the financial treatment and implications are known from the outset. Without proactive accounting recognition it poses the risks of misstatement in the financial statements or unforeseen accounting adjustments if a lease is not accounted for correctly.</p> <p>Community Lifestyle and Strategic Property Management use software called Progenesis. Progenesis is a lease management software that enables CoA to manage the lease life cycle from beginning to the end, with capabilities that include:</p> <ul style="list-style-type: none"> • Lease, diary and rent review management • Accounts and report management • Budget and forecast • Asset management • Image and document management • Integration with Microsoft Office Suite and CoA financial systems <p>Currently, it is used as a database to hold all information regarding the property and tenant details for both commercial and community leases.</p> <p>Recommendation:</p> <ol style="list-style-type: none"> 1. Develop a process between Strategic Property, Community Lifestyle, and Finance that notifies Finance of new leases so that the accounting treatment can be examined before their inception. 2. Finance are provided read-only access to Progenesis so they have access to the centralised register of all lease agreements (commercial and community), to improve tracking of leases. 3. Investigate the use of the accounting module within Progenesis (further detail under Ref #7). 	
<p>Position Responsible:</p>	<p>Associate Director Strategic Property & Commercial / Associate Director City Culture</p>
<p>Target Date:</p>	<p>As above</p>

Ref #4 Outdated Policy and Operating Guideline		Rating: Low
Description of finding		Agreed Actions
<p>Identification: The Community Lifestyle team manages the leases in the Park Lands for all community-defined properties. The overarching Adelaide Park Lands Leasing and Licensing Policy and the Adelaide Park Lands Leasing and Licensing Operating Guidelines drive Council decisions about leasing and licensing in the Park Lands on a daily basis. A review of the documents noted that they were due for review in 2018. In consultation with the team, the review and update of these documents are currently underway, having previously been on hold pending the development of the Community Building Policy.</p> <p>The Strategic Property Management team that manages the leases for all commercial-defined properties (non-Park Lands properties) are governed by the <i>Retail and Commercial Leases Act 1995</i>.</p> <p>The risk of not updating the Policy and Operating Guidelines may cause challenges for the Council in upholding any decisions made, particularly enforceable actions that may be undertaken.</p> <p>Recommendation:</p> <p>Finalise the review and update of the Policy and Operating Guidelines for the Park Lands leases.</p>		<p>The Park Lands Leasing and Licensing Policy and Operating Guideline are under review and will be updated and finalised by December 2025.</p> <p>Target Date: December 2025</p>
Position Responsible:	Associate Director City Culture	
Target Date:	As above	

Ref #5 No maintenance completion notification sent	Rating: Low
Description of finding	Agreed Actions
<p>Identification: A maintenance inspection is scheduled either regularly (i.e. annually) or ad-hoc. The need for an annual inspection is assessed at the beginning of the lease term, and once confirmed the respective team, Community Lifestyle or Strategic Property Management teams, will inform the Facilities Maintenance team of the required inspections, such as air conditioning inspections, fire hydrant inspections, etc. Each respective team will conduct regular inspections of the CoA-owned buildings, leased properties as per the lease terms and conditions. The Community Lifestyle team will perform a walkthrough of the property with a Technical Officer in the Facilities Maintenance Office and complete a checklist which is then stored in Content Manager (Council's records management system). The Strategic Property Management team will perform their own walkthrough of the property and complete a checklist.</p> <p>If any ad-hoc maintenance is required which is the responsibility of CoA, a request is sent to the Facilities Maintenance Office via the property@cityofadelaide.com.au email address. The Facilities Maintenance (Technical Officers) team will receive that email and submit a work order in Assetic (the Council's asset management system) and this will be assigned either to an internal staff member or a contractor to action the request. Once the maintenance has been actioned, the work order will be completed in Assetic. The Technical Officers can see the completed work orders in Assetic. If an external contractor has completed the work, these details will be captured in Assetic. However, there is no notification back to either the Community Lifestyle or Strategic Property Management team that the maintenance request has been actioned. Previously, a software called Fresh Desk was used to manage internal work order requests through the Facilities Maintenance Office. Once an internal request</p>	<p>1. Infrastructure will investigate the opportunity to implement automatic notifications with the contractor to see if they have this already implemented in other councils. Responsibility: Associate Director Infrastructure Target Date: June 2025</p> <p>2. In the interim, the Facilities Management team will utilise the property email inbox to manually monitor and reply back to stakeholders when jobs are being assigned a work order, or when jobs are completed. Discussions are also underway with Information Management to reinstate Fresh Desk. Responsibility: Associate Director City Operations Target Date: November 2024</p>

Lease Management

was submitted, the staff member was able to track and receive updates on the request and when the maintenance request was completed, the staff member would receive a notification of the completed maintenance request. With the new Assetic system, the communication loop does not get closed, and no notifications are sent to the originator of the maintenance request.

In discussion with the Facilities Maintenance Office, the AM2 project is to resolve the non-notification issue.

Recommendation:

1. Investigate the opportunity to implement automatic notifications for completed works orders on maintenance requests as part of the AM2 project.
2. In the interim implement a notification system to inform the Community Lifestyle and Strategic Property teams when maintenance requests have been completed.

Position Responsible:	Associate Director City Operations / Associate Director Infrastructure
Target Date:	As above

Ref #6 Undertake a broader review of property management	Rating: Low
Description of finding	Agreed Actions
<p>Identification: Leases at CoA are managed based on their definition. Commercial leases apply to properties in the CBD and North Adelaide (not including the Park Lands), whereas community leases apply to properties located in the Park Lands.</p> <p>The Strategic Property Management team manage the commercial leases which have a commercial outcome, while Community Lifestyle manages the community leases which have a community outcome. Within the community leases, there are commercial-defined leases. A commercial-defined lease is defined as an agreement between the lessor (CoA) and lessee (tenant) allowing the use of a commercial property for business purposes in exchange for rent. Within the Park Lands, there are a number of leases that are actually defined as commercial such as restaurants and cafes. These leases are not governed by the <i>Retail and Commercial Leases Act 1995</i>, as in December 2011, CoA sought an exemption from the Minister for these leases to be exempt. However, the team are still able to include the requirements from the <i>Retail and Commercial Leases Act 1995</i> (the Act) in the lease agreements if they deem them to be relevant but it is not legislated that they must do so. In consultation with the Community Lifestyle team, they do not reference the Act, however some clauses are similar. In addition, there are a number of leases within the Park Lands that are solely community-defined leases such as sporting and recreation groups which are governed by the internal Adelaide Park Lands Leasing and the Licensing Policy and Adelaide Park Lands Leasing and Licensing Operating Guideline.</p> <p>Commercial leases are drafted individually by a legal representative in conjunction with CoA and the tenant. All commercial lease rent should be reviewed once the lease has expired and</p>	<ol style="list-style-type: none"> 1. In consultation with City Culture, undertake a review of lease management as a whole including commercial and community leases to ensure that the desired outcome is achieved for Council by submitting a budget bid for 2025/26. The intention is to commence this review in the first half of 2025/26 and potentially engage a consultant to complete the review. Target Date: December 2025 2. Develop an overarching lease management guideline to ensure a consistent approach is applied to all leases whether CoA is the lessor or lessee. Target Date: December 2025

Lease Management

compared to the current market. The Strategic Property Management team reviews all leases when there is a new lease agreement in place or when dealing with a market review as a review method prescribed in the lease with an external consultant to ensure current market values are used, as this will provide a guide for future tenancy vacancies. The Community Lifestyle will use a similar approach and factor market valuations and Consumer Price Index (CPI) into new lease.

In essence, there are 2 types of leases with clearly different outcomes:

- Commercial - business
- Community – sporting and recreation

Further investigation is sought to consider whether the current structure is suitable. The Strategic Property Management team has the resources and expertise to manage 'commercial-defined' leases, while the Community Lifestyle team has a connection to the community to manage community-based leases. A holistic review of the broader property management function is essential to ensure the required outcomes are achieved by the relevant areas. In addition, an overarching lease management guideline will strengthen the desired outcome to consistency across the two categories of lease types.

Recommendation:

Consideration is to be given to performing a broader review of property management (including governance and function) and of where lease management sits within the organisation.

Along with this review of property / lease management, develop an overarching guideline on lease management that will ensure a consistent approach is applied to all lease management for Council owned properties or properties the Council lease themselves.

Position Responsible:	Associate Director Strategic Property & Commercial
Target Date:	As above

Ref #7 Opportunity to utilise in-house expertise for simple community leases		Rating: Improvement Opportunity
Description of finding		Agreed Actions
<p>Identification: The Community Lifestyle team manage the lease agreements for all leases throughout the Park Lands. Within this portfolio, there are commercial leases (such as restaurants and cafes) and community leases (such as sporting groups and recreational businesses). Each time a new lease is created, or a renewal is drawn up, the team will approach Norman Waterhouse to draw up the contract, no matter what type of lease it is. In discussion with the team, it was noted at times it may take a while to get the document back from Norman Waterhouse. Furthermore, it was identified that there are a number of basic, not complex leases that are drawn up, in particular for the smaller sporting groups and recreational businesses, and these lease agreements are standard, and haven't changed over the years.</p> <p>Each lease reviewed by Norman Waterhouse will cost approximately \$1,500, and the tenant is charged for this. As they are simple, standard lease agreements, using Norman Waterhouse to review them is not necessary. However, it is always good to engage legal advice to review the details of lease agreements to ensure they are applicable and appropriate.</p> <p>Recommendation: Investigate the opportunity to utilise in-house expertise to review lease agreements for new or renewal leases for simple, standard lease agreements. Engage with Governance to determine if the Legal Advisor has the capacity to review the leases going forward, depending on the volume of lease agreements arranged per year.</p>		<p>Following the standardisation of lease and licence templates, the Community Lifestyle Team will trial in-house expertise to review standard lease and licence agreements by December 2025.</p> <p>Target Date: December 2025</p>
Position Responsible:	Associate Director City Culture	
Target Date:	As above	

Ref #8 Opportunity to utilise Progenesis as a full lease management system	Rating: Improvement Opportunity
Description of finding	Agreed Actions
<p>Identification: The Strategic Property Management and Community Lifestyle teams are currently using Progenesis for general record keeping for leases, licences, and agreements.</p> <p>The Strategic Property Management team also uses the system for reminders, tracking, and recording relevant documents required as part of the leasing function such as:</p> <ul style="list-style-type: none"> • Certificate of currencies • Contact details • Bank guarantees • Diary dates • Lease charges • Lease notes <p>However, in consultation with the Strategic Property Management team, it has become apparent that Progenesis is not being used to its fullest capacity, as a full property management system with other capabilities such as, but not limited to:</p> <ul style="list-style-type: none"> • Tenant billing workflow • Budget • Facility Management • Lease options • Lease review • Utility billing • Tenant debtor transactions • On-charge <p>Further, Progenesis has an accounting module that can generate the lease schedules under <i>AASB 16 Leases</i>, automating their financial recognition and improving internal controls.</p>	<p>1. Adelaide Central Market is currently implementing Progenesis across their lease management function and once that has been fully implemented, will investigate the potential to expand the utilisation of Progenesis to use as a full property management system.</p> <p>Target Date: December 2025</p> <p>2. Consult with Information Management to ensure that the records are maintained according to the <i>Record Management Operating Guideline</i> or considered as a 'system of record'.</p> <p>Target Date: December 2025</p> <p>3. Once implemented provide training and access to the Community Lifestyle team.</p> <p>Target Date: December 2025</p> <p>4. Consult with Finance to investigate the opportunity to interface with TechOne so invoicing can be raised in Progenesis.</p> <p>Target Date: December 2025</p> <p>5. Consult with Finance to investigate utilising the accounting module to automate the accounting for leases under <i>AASB 16</i>.</p> <p>Target Date: December 2025</p>

<p>The benefits of utilising a full property management system will provide a single source of truth for the leasing function. All details, workflows, reminders, record keeping, and correspondence will be stored in one location for all tenants across the CoA portfolios, to be utilised by all teams to undertake any property leasing.</p> <p>In further discussions with the Strategic Property Management team, it has become clear that Progenesis has the capability to interface with TechOne but not at this stage. Once realised, this will be a great opportunity, as Progenesis can be a 'one-stop-shop' for all lease management.</p> <p>Recommendation:</p> <ol style="list-style-type: none"> 1. Investigate the opportunity to expand Progenesis to utilise the system to its fullest potential as a property management system. 2. If utilising Progenesis to its fullest potential, consult with Information Management to ensure that the records are maintained according to the <i>Record Management Operating Guideline</i>. 3. If above action is achievable, provide training and access to the Community Lifestyle team. 4. In conjunction with Finance, investigate the opportunity to interface with TechOne so invoicing can be raised in Progenesis. 5. In conjunction with Finance. investigate utilising the accounting module to automate the accounting for leases under <i>AASB 16</i> 	
Position Responsible:	Associate Director Strategic Property & Commercial
Target Date:	As above

APPENDIX 1: RISK MATRIX OF INTERNAL AUDIT FINDINGS

The following framework for the internal audit ratings is consistent with the CoA Risk Management Operating Guidelines and the Risk Management International Standard ISO31000:2018. The descriptions have been tailored to illustrate risk to the business operations.

CoA Risk Matrix

CoA Risk Matrix		CONSEQUENCE				
		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	Almost Certain	Moderate	High	Extreme	Extreme	Extreme
	Likely	Moderate	High	High	Extreme	Extreme
	Possible	Low	Moderate	High	High	Extreme
	Unlikely	Low	Low	Moderate	Moderate	High
	Rare	Low	Low	Low	Moderate	Moderate

8.3 Risk & Finding Descriptions

Rating	Definition	Action	Indicative Timeframe (variations to be agreed by SRIA)
Extreme	<p>The finding represents a control weakness that could adversely impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> • Extreme decline in quality and customer service leading to a decrease in the community's confidence in the Council • Extreme breakdown in process that leads to illegal activity • Breach of legislation or contractual non-compliance that will result in litigation, prosecution, and penalty 	The finding was reported to the Director immediately, and a response plan was developed with the appropriate Associate Director. Implementation updates and status reporting are managed through Promapp.	Actions are managed in Promapp with a timeframe of at most three months for completion.
High	<p>The finding represents a control weakness that could adversely impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> • Major decline in quality and customer services leading to a decrease in the community's confidence in the Council • Serious breakdown in process that may lead to increased and unacceptable risk • Breach of legislation or contractual non-compliance that will result in litigation, prosecution, and penalty 	The finding was reported to the appropriate Associate Director immediately, and a response plan was developed with the right Manager and managed through Promapp.	Actions are managed in Promapp with a timeframe of at most six months for completion.
Moderate	<p>The finding represents a control weakness that could negatively impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> • Medium decline in quality and customer services leading to a decrease in the community's confidence in the Council • Medium operational breakdown in process that may lead to increased and unacceptable risk • Minor breach of legislation or contractual non-compliance that will be unlikely result in litigation, prosecution, and penalty 	Findings are reported to the appropriate Manager through the Internal Audit Report and managed through Promapp.	Actions are managed in Promapp with a timeframe of at most nine months for completion.
Low	<p>The finding represents a minor control weakness that could have or is having a low/ minimal but reportable adverse impact on the business and the ability to meet process objectives.</p> <ul style="list-style-type: none"> • Minimal decline in quality and customer services • Minor breakdown in process that is not likely to affect risk • Minor breach of legislation or contractual non-compliance that will be unlikely result in litigation, prosecution, and penalty 	Findings are reported to the appropriate Manager through the Internal Audit Report and managed through Promapp.	Actions are managed in Promapp with a timeframe of at most 12 months for completion.

Payment Card Industry (PCI) Compliance Update

Wednesday, 11 December 2024
Audit and Risk Committee

Strategic Alignment - Our Corporation

Program Contact:
Nicole Van Berkel, A/Manager
Finance & Procurement

Public

Approving Officer:
Anthony Spartalis, Chief
Operating Officer

EXECUTIVE SUMMARY

At the Audit and Risk Committee meeting held 15 May 2024, Administration agreed to provide a six-monthly update to the committee on the progress of the Payment Card Industry Data Security Standard (PCI DSS), Prioritised Approach.

In accordance with the 2023-24 Internal Audit Plan for the City of Adelaide (CoA) an internal audit on the compliance with the Payment Card Industry Data Security Standard (PCI DSS) was performed in January 2024.

That internal audit identified fourteen findings of non-compliance. Agreed actions addressing eight of these have been completed, with a further six agreed actions still in progress.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the progress of PCI DSS Prioritised Approach as included in Attachment A to Item 4.3 on the Agenda for the Special meeting of the Audit and Risk Committee held on 11 December 2024.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Internal audit is an essential component of a good governance framework. It enables Council to ensure it is performing its function legally, effectively and efficiently.
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	Internal audit is an essential component of a good governance framework. It is the mechanism which enables Council to receive assurance that internal controls and risk management approaches are effective, that it is performing its functions legally, and effectively, and to advise how it can improve performance.
Opportunities	Internal audit focuses largely on compliance, risk management and improvement opportunities. As such audits suggest a range of improvement opportunities related to the area being reviewed, enhancing functions and services and aligning Council processes to best practice standards.
24/25 Budget Allocation	Not as a result of this report
Proposed 25/26 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
24/25 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

Background

1. The Payment Card Industry Compliance audit (PCI Compliance) was performed by Cyber CX, in accordance with the 2023-24 Internal Audit Plan.

Report

2. This audit aligns with City of Adelaide’s (CoA) Strategic Risk – Compliance: Non-compliance of Council policies and legislative requirements.
3. The annual PCI Compliance audit provides CoA with advice on the level of PCI DSS compliance of its payment processing facilities, and guidance on areas requiring remediation.
4. The audit’s findings and related actions are aligned to 6 milestones defined by the PCI Security Standards Council ([Link 1](#)). The table below provides updates on actions completed and those in progress. Since the last update, six actions related to findings were completed, with eight to be actioned by 30 April 2025. Further information on agreed actions addressing the findings is included in **Attachment A**.

Finding	Milestones	Status
1.1.2 Current network diagram that identifies all connections between the cardholder data environment (CDE) and other networks, including any wireless networks	1	Completed since May 2024
1.1.6 Documentation of business justification and approval for use of all services, protocols, and ports allowed, including documentation of security features implemented for those protocols considered to be insecure.	2	In progress due 30/4/25
2.2.2 Enable only necessary services, protocols, daemons etc as required for the function of the system.	3	In progress due 30/4/25
2.2.3 Implement additional security features for any required services, protocols, or daemons that are considered to be insecure.	2	In progress due 30/4/25
2.2.5 Remove all unnecessary functionality, such as scripts, drivers, features, subsystems, file systems and unnecessary web servers.	3	In progress due 30/4/25
2.4 Maintain an inventory of system components that are in-scope for PCI DSS 2	2	In progress due 30/4/25
9.9.1 Maintain an up-to-date list of devices. The list should include the following: <ul style="list-style-type: none"> • Make, model of device • Location of device (for example, the address of the site or facility where the device is located) • Device serial number or other method of unique identification 	2	Completed since May 2024
11.2.2 Perform quarterly external vulnerability scans, via an Approved Scanning Vendor (ASV) approved by the Payment Card Industry Security Standards Council (PCI SSC). Perform rescans as needed, until passing scans are achieved.	2	Completed since May 2024
11.3.4 If segmentation is used to isolate the CDE from other networks, perform penetration tests at least annually and after any changes to segmentation controls/methods to verify that the segmentation methods are operational and effective, and isolate all out-of-scope systems from systems in the CDE.	2	In progress due 30/4/25
12.1.1 Review the security policy at least annually and update the policy when the environment changes.	6	Completed since May 2024

12.5.3 Establish, document and distribute security incident response and escalation procedures to ensure timely and effective handling of all situations.	2	Previously completed
12.8.1 Maintain a list of service providers including a description of the service provided.	2	Previously completed
12.8.4 Maintain a program to monitor service providers PCI DSS compliance status at least annually.	2	Completed since May 2024
12.8.5 Maintain information about which PCI DSS requirements are managed by each service provider, and which are managed by the entity.	2	Completed since May 2024

5. Cyber CX are currently conducting the 2025 annual audit, and will report back on CoA's overall compliance status (reflecting agreed actions taken) by February 2025.
6. Regular updates on CoA PCI DSS compliance are also provided to the CoA's banking provider.

DATA AND SUPPORTING INFORMATION

Link 1 - PCI Security Standards Council Milestones

ATTACHMENTS

Attachment A – PCI DSS Prioritised Approach

- END OF REPORT -

PCI DSS Requirements v3.2.1	Milestone			
		Stage of Implementation	Estimated Date for Completion of Milestone	Comments
1.1.2 Current network diagram that identifies all connections between the cardholder data environment and other networks, including any wireless networks	1	COMPLETED	August 30, 2024	Update / develop network diagrams for all CDE systems including Envibe and the telephony network. Diagrams must include wireless networks and the CDE network components. Decommissioning of the Aquatic Centre will partially address this requirement by removing it from scope. Responsibility: Manager Information Management
1.1.6 Documentation of business justification and approval for use of all services, protocols, and ports allowed, including documentation of security features implemented for those protocols considered to be insecure.	2	In progress	April 30, 2025	Document the required ports and protocols in use for all CDE systems including the Envibe network and Contact Centre. Document security features required to protect unencrypted telephony calls. Decommissioning of the Aquatic Centre will partially address this requirement by removing it from scope. Responsibility: Manager Information Management
2.2.2 Enable only necessary services, protocols, daemons, etc., as required for the function of the system.	3	In progress	April 30, 2025	Document security features required to protect unencrypted telephony calls. Responsibility: Manager Information Management
2.2.3 Implement additional security features for any required services, protocols, or daemons that are considered to be insecure.	2	In progress	April 30, 2025	Document security features required to protect unencrypted telephony calls. Responsibility: Manager Information Management
2.2.5 Remove all unnecessary functionality, such as scripts, drivers, features, subsystems, file systems, and unnecessary web servers.	3	In progress	April 30, 2025	Review the configuration of the telephony servers against the documentation and ensure no unnecessary functionality is present. Responsibility: Manager Information Management
2.4 Maintain an inventory of system components that are in scope for PCI DSS.	2	In progress	April 30, 2025	Update the PCI scope and inventory documentation to include Contact Centre workstations acting as telephony endpoints. Responsibility: Manager Information Management
9.9.1 Maintain an up-to-date list of devices. The list should include the following: • Make, model of device • Location of device (for example, the address of the site or facility where the device is located) • Device serial number or other method of unique identification.	2	COMPLETED	June 30, 2024	Review the list of EFTPOS terminal devices and ensure that all required information is accurate. Consider implementing a process to review the list on a quarterly or annual basis. Responsibility: Manager Finance & Procurement
11.2.2 Perform quarterly external vulnerability scans, via an Approved Scanning Vendor (ASV) approved by the Payment Card Industry Security Standards Council (PCI SSC). Perform rescans as needed, until passing scans are achieved. <i>Note: Quarterly external vulnerability scans must be performed by an Approved Scanning Vendor (ASV), approved by the Payment Card Industry Security Standards Council (PCI SSC). Refer to the ASV Program Guide published on the PCI SSC website for scan customer responsibilities, scan preparation, etc.</i>	2	COMPLETED	September 30, 2024	Work with the ASV scan provider to enable scanning of in scope IP addresses to provide a passing scan report. Specifically firewalls protecting CDE components, telephony components exposed to the internet and remote access services managed by City of Adelaide. Responsibility: Manager Information Management

PCI DSS Requirements v3.2.1	Milestone			
		Stage of Implementation	Estimated Date for Completion of Milestone	Comments
11.3.4 If segmentation is used to isolate the CDE from other networks, perform penetration tests at least annually and after any changes to segmentation controls/methods to verify that the segmentation methods are operational and effective, and isolate all out-of-scope systems from systems in the CDE.	2	In progress	April 30, 2025	Investigate options for removing the telephony system from the PCI scope. Consider options such as DTMF clamping, segmentation of the telephony system, online only payments or call back on an analogue PSTN / mobile phone. Responsibility: Manager Information Management
12.1.1 Review the security policy at least annually and update the policy when the environment changes.	6	COMPLETED	March 31, 2024	Review and update the security policy suite of documents at least annually. Responsibility: Manager Information Management
12.5.3 Establish, document, and distribute security incident response and escalation procedures to ensure timely and effective handling of all situations.	2	COMPLETED	March 31, 2024	Document the roles and responsibilities for development and distribution of incident response processes and procedures. Responsibility: Manager Information Management
12.8.1 Maintain a list of service providers including a description of the service provided.	2	COMPLETED	June 30, 2024	Review the management of service providers and ensure documentation of in scope service providers includes details of the services provided. Responsibility: Manager Finance & Procurement
12.8.4 Maintain a program to monitor service providers' PCI DSS compliance status at least annually.	2	COMPLETED	June 30, 2024	Educate new procurement personnel on the requirement to monitor service provider compliance status. Responsibility: Manager Finance & Procurement
12.8.5 Maintain information about which PCI DSS requirements are managed by each service provider, and which are managed by the entity.	2	COMPLETED	June 30, 2024	Document the requirements each service provider is responsible for maintaining on CofA's behalf. Service providers should include at least JP Media, Infor, Advam, MiClub, Envibe, Microsoft, Duncan Solutions and Designa. Responsibility: Manager Finance & Procurement

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Annual Terms of Reference Review

Wednesday 11 December 2024

Audit and Risk Committee

Strategic Alignment - Our Corporation

Program Contact:

Kathryn Goldy,

Acting Manager Governance

Public

Approving Officer:

Anthony Spartalis,

Chief Operating Officer

EXECUTIVE SUMMARY

Clause 4.5 of the Audit and Risk Committee (the Committee) Terms of Reference (ToR) states that the Committee will review its ToR at least once per year.

Administration has undertaken a comprehensive review of the ToR and proposes several administrative updates including the alignment with the modernised format of the current ToR to be inline with Council's core committees (committees where all Council Members are appointed) that were adopted at the meeting of Council on 24 September 2024, the inclusion of meeting procedures for clarity and centralisation of the applicable regulations.

Feedback received through the Committee's 2024 self-assessment review and updates to be considered as per requests from Council and are addressed in this report, including the potential to implement live streaming of the meetings and strengthening the provisions surrounding the recommendations process, notice of meeting and Agendas and changes of meeting dates and times.

If endorsed by the Committee, the proposed Committee 'Terms of Reference and Meeting Procedures' will be presented to Council before the first ARC meeting of 2025 if possible. They will then replace the existing Terms of Reference (ToR) upon Council's adoption.

RECOMMENDATION

THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Adopts the Audit and Risk Committee Terms of Reference as contained in Attachment A to Item 4.4 on the Agenda for the Special meeting of the Audit and Risk Committee held on 11 December 2024.
 2. Authorises the Chief Executive Officer or delegate to make any necessary typographical or syntactical amendments to the Terms of Reference for the Audit and Risk Committee as contained in Attachment A to Item 4.4 on the Agenda for the Special meeting of the Audit and Risk Committee held on 11 December 2024.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	<p>Strategic Alignment – Our Corporation</p> <p>Demonstrate bold capital city leadership and robust governance with our community at the heart of our decisions</p> <p>Enable effective governance, risk management, accountability and transparency at all times in decision making.</p>
Policy	<p>Audit and Risk Committee Terms of Reference (Current) (Link 1)</p>
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	<p><i>Local Government Act 1999 (SA)</i></p> <p><i>Local Government (Procedures at Meetings) Regulations 2013</i></p>
Opportunities	Not as a result of this report
24/25 Budget Allocation	Not as a result of this report
Proposed 25/26 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
24/25 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

Background

1. The City of Adelaide Audit and Risk Committee (the Committee) is established pursuant to section 126 of the *Local Government Act 1999* (SA).
2. The Terms of Reference (ToR) assist the Committee, Council, and its community in understanding the Committee's role and responsibilities.
3. The current ToR adopted by the Committee on 1 September 2023 are available on the City of Adelaide website ([Link 1](#)).
4. Section 4.5 of the current ToR requires the Committee to undertake an annual self-assessment and review of its ToR to ensure it is operating at maximum effectiveness.

Discussion

5. Administration has undertaken a robust review of the ToR with the proposed revised document ('City of Adelaide Audit and Risk Committee Terms of Reference and Meeting Procedures') contained in Attachment A to this report.
6. The proposed document has been updated to align with the modern style and format of the ToR for Core Committees, adopted by Council on 23 September 2024.
7. The proposed document is structured to enhance accessibility for Committee Members, Administration and members of the public and incorporates a structure that guides the user through the full Terms of Reference and meeting procedures process, including the following key sections:
 - 7.1. Purpose of the Audit and Risk Committee
 - 7.2. Responsibilities and Reporting
 - 7.3. Behaviour
 - 7.4. Meetings
 - 7.4.1. Before the Meeting
 - 7.4.2. At the Meeting
 - 7.4.3. After the Meeting
8. A table containing the full comparison of changes made to the proposed document is available at [Link 2](#).
9. Key changes in the proposed Terms of Reference and Meeting Procedures are identified in the table below:

Current Terms of Reference	Proposed Terms of Reference and Meeting Procedures
1. Preamble 2. Functions of the Committee 3. Role of the Committee 4. Reporting 5. Delegations 6. Membership 7. Presiding Member of the Committee 8. Meeting details 9. Meeting procedures* 10. Conduct and Interests of Committee Members	Structural and content additions to the whole document including new sections: Cover Page Acknowledgement of Country Index Page 1. Preamble 2. Purpose 3. Responsibilities and Reporting 4. Guiding principles 5. Appointment of Members and Membership 6. Behaviours 7. Meetings 8. Before the Meeting 9. At the Meeting 10. After the Meeting 11. Other Matters 12. Review

<p>9. Meeting procedures*</p> <p><i>*Meeting procedures are linked to the now redundant Code of Practice for Meeting Procedures</i></p>	<p>Inclusion of Meeting Procedures as set out under parts 1, 3 and 4 of the <i>Local Government (Procedures at Meetings) Regulations 2013</i> including discretionary provisions and associated behavioural provisions.</p> <ul style="list-style-type: none"> • This inclusion does not amend the role or function of the Committee but formalises the procedural aspect of the Committee and aligns with the format with all Council Committees and legislative requirements.
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Self-Assessment Feedback

10. Feedback received through the Committee’s self-assessment survey indicated that there is concern surrounding the provision of meeting papers within the required timeframes and last-minute changes to scheduled meeting dates and times.
- 10.1. The provision at point 50 of Attachment A commits Administration to publishing the agenda by close of business, on the Friday prior to a scheduled ordinary meeting.
- 10.2. The provision at point 45 of Attachment A provides that the Chief Operating Officer in consultation with the Chair may alter the date or time of the meeting if necessary, taking into consideration:
- 10.2.1. Quorum and availability of members
- 10.2.2. Urgency of business

Live Streaming

11. At its meeting on 28 May 2024, Council resolved in part that Council:
- “Notes that City of Adelaide Committees established under section 41 and 126 of the Local Government Act 1999 (SA) will consider the inclusion of a provision within their Terms of Reference to enable live streaming of their public meetings at the next scheduled review”*
12. Should the Committee wish to include a provision to enable Live Streaming it is proposed that the following provision be included at section 87:
- “If an audio and or visual recording of a meeting for live streaming (excluding any portion of the meeting closed to the public) is produced, it will be available via the City of Adelaide YouTube channel, accessible on the City of Adelaide website www.cityofadelaide.com.au*
- In addition, the Chair or the Chief Executive Officer or delegate, upon opening the meeting will advise that the public session of the meeting is being recorded and/or streamed live to the internet. The recording and/or streaming of a meeting may be determined on a case-by-case basis by the Chief Executive Officer or delegate or by resolution of the Committee.”*

Next Steps

13. If endorsed by the Committee, the proposed Committee ‘Terms of Reference and Meeting Procedures’ (**Attachment A**) will be presented to Council for adoption (before the first Committee meeting of 2025) and will then replace the existing Terms of Reference (ToR) upon adoption by Council.

DATA AND SUPPORTING INFORMATION

Link 1 - Audit and Risk Terms of Reference.

Link 2 – Comparison of Current Terms of Reference to proposed draft Terms of Reference and Meeting Procedures

ATTACHMENTS

Attachment A – Draft Audit and Risk Committee Terms of Reference and Meeting Procedures

- END OF REPORT -

DRAFT

City of Adelaide Audit and Risk Committee Terms of Reference and Meeting Procedures

2024

Legislative

ACKNOWLEDGEMENT OF COUNTRY

The City of Adelaide acknowledges that we are located on the traditional Country of the Kurna people of the Adelaide Plains and pays respect to Elders past, present and emerging.

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 visitors of other Aboriginal Language Groups and other First Nations.

DRAFT

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1. PREAMBLE

1. The Audit and Risk Committee is a formally appointed committee of the City of Adelaide (CoA), pursuant to Section 126 of the *Local Government Act 1999* (SA) (the Act).
2. The establishment of the Audit and Risk Committees does not derogate from the power of the Council to act in a matter.
3. The Audit and Risk Committee will operate until the end of the 2022-2026 term of office unless Council resolves otherwise.

2. PURPOSE OF THE AUDIT AND RISK COMMITTEE

4. The purpose of the Audit and Risk Committee is to provide independent assurance and advice to Council on accounting, financial management, internal controls, risk management and governance matters.
5. The functions of the Committee as prescribed under Section 126 (4) of the Act include:
 - 5.1 reviewing annual financial statements to ensure that they present fairly the state of affairs of Council; and
 - 5.2 proposing, and providing information relevant to, a review of Council's strategic management plans or annual business plan; and
 - 5.3 proposing, and reviewing, the exercise of powers under section 130A; and
 - 5.4 liaising with Council's auditor; and
 - 5.5 reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of Council regularly.
6. Act as the Audit and Risk Committee of the following Council subsidiaries:
 - 6.1 Adelaide Economic Development Authority (AEDA)
 - 6.2 Adelaide Central Market Authority (ACMA)
 - 6.3 Kadaltilla / Adelaide Park Lands Authority
7. The Audit and Risk Committee will report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference to facilitate informed decision making in relation to discharging its legislative responsibilities and duties. The Committee does not enjoy the delegation of any powers or functions of the Council but acts in accordance with these Terms of Reference.

3. AUDIT AND RISK COMMITTEE ROLE, RESPONSIBILITIES AND REPORTING

8. Whilst the Audit and Risk Committee format is less structural and seeks less formality than a Council meeting, several procedures emulate those procedures observed by and mandated by Regulation for a meeting of Council and/or a committee established by the Council. The Audit and Risk Committee will observe the provisions contained in Parts 1, 3 and 4 of the *Local Government (Procedures at Meetings) Regulations 2013* (SA), along with the provisions in this Terms of Reference and Meeting Procedures document.
9. The Audit and Risk Committee will report directly to Council, presenting recommendations for Council determination.
10. The Audit and Risk Committee may:
 - 10.1 Receive and consider reports to resolve a recommendation for Council determination.
 - 10.2 Receive reports for noting.
 - 10.3 Determine their own procedure provided it is not inconsistent with the Act, Regulations, or the *Core Committees Terms of Reference and Meeting Procedures* document.
 - 10.4 Access, at the Council's expense, legal advice or other professional advice on

any matter within its Terms of Reference.

11 Responsibilities and Reporting

11.1 Financial Reporting

- 11.1.1 Receive and monitor the integrity of the financial statements of the Council, reviewing significant financial reporting issues and judgements which they contain.
- 11.1.2 Review any report obtained by Council under section 48(1) of the Act in accordance with Council's Prudential Management Policy.
- 11.1.3 Review and challenge where necessary:
- The consistency of, and any changes to, accounting policies, both on a year- on-year basis.
 - The methods used to account for significant or unusual transactions where different approaches are possible.
 - Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
 - The clarity of disclosure in the Council's financial reports and the context in which statements are made.
 - All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management).

11.2 Internal Control and Risk Management Systems

- 11.2.1 Keep under review the effectiveness of the Council's internal controls, risk and information management systems and the Council's Risk Profile, monitoring the risk exposure of Council and its subsidiaries.
- 11.2.2 Review the adequacy and effectiveness of Council's accounting, internal controls, policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.
- 11.2.3 Receive reports on the activities of the Executive Strategic Risk and Internal Audit Group.
- 11.2.4 Monitor the responsiveness to recommendations for improvement based on previous audits and risk assessments, including those raised by Council's auditor.

11.3 Management Plans and Business Plans

- 11.3.1 Review and provide advice on the Council's Strategic Management Plans, Integrated Business Plan, Long Term Financial Plan and Asset Management Plans and receive regular updates on the implementation of these plans.
- 11.3.2 Monitor, review and receive updates on the effective delivery of these plans.

11.4 Internal Audit

- 11.4.1. Monitor and review the effectiveness of the Council's Internal Audit Work Plan and function in the context of the Council's overall risk management system.
- 11.4.2. Receive Full Reports on all Internal Audit projects and monitor management's responsiveness to the findings and recommendation of the Internal Auditor.
- 11.4.3. Meet with the Internal Audit Partner at least once a year, without management being present, to discuss any issues arising from the Internal Audits carried

out during the year. In addition, the Internal Audit Partner shall be given the right of direct access to the Lord Mayor and the Chair of the Audit Committee.

- 11.4.4. Review the selection process for the Internal Auditor. Appointment of the Internal Auditor is the responsibility of management in accordance with Council's procurement framework. If the Internal Auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and decide whether any action is required.

11.5 External Audit

11.5.1. Consider and make recommendations to the Council, in relation to the appointment, reappointment, scope of engagement and removal of the Council's External Auditor in accordance with section 128-130 of the Act.

11.5.2. Oversee the relationship with the External Auditor, including, but not limited to:

- Endorsing the audit timetable and audit plan.
- Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit.
- Assessing the external auditor's independence and objectivity considering relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services.
- Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business).
- Monitoring the external auditor's compliance with legislative requirements on the rotation of individuals in accordance with section 128(6) of the Act.
- Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the Audit and Risk Committee's own internal quality procedures).

11.5.1 Meet as needed with the External Auditor and at least once a year meet without management being present to discuss issues arising from the External Audit.

11.5.2 Review the findings of the External Audit with the External Auditor, including a discussion on any major issues which arose during the audit, any accounting and audit judgements and levels of errors identified during the audit.

11.5.3 Review the Report to the Chief Executive Officer and management's response to the External Auditor's findings and recommendations.

11.5.4 Review any representation letter(s) requested by the External Auditor before they are signed by management.

11.5.5 Review the effectiveness of the External Audit and oversee actions to follow up on matters raised by the External Auditor.

11.6 Other functions

11.6.1 Make recommendations to Council on the exercise of Council's powers under Section 130A of the Act, in relation to the conduct of Economy Audits that would not otherwise be addressed or included as part of an annual External Audit.

11.6.2 Review, advise and approve (where appropriate) relevant components of Council's Annual Report including:

- Annual financial statements for Council and subsidiaries.
- Internal control and risk statements (where appropriate).

- Annual report of the Committee (to be included in the Council Annual Report).
- Give due consideration to laws and regulations of the *Local Government Act 1999 (SA)*.

12. Reporting and Accountability

- 12.1 The Audit and Risk Committee shall report to the Council after every meeting to identify and present advice and recommendations. The Chair shall attend these meetings and talk on these matters, as and when required.
- 12.2. The Chief Executive Officer or delegate will identify matters, further to those matters covered elsewhere in these Terms of Reference, to be reported to the Audit Committee in detail where those matters are considered to be of material effect, have a material impact on the operation of Council as an elected body (eg impact on policies relating to Council Members) or have significant impact on Council's operations.
- 12.3. The Audit and Risk Committee Chair shall present the Annual Financial Statements to Council and provide comment on the veracity of Council's financial statements and conduct of the external audit as required by these Terms of Reference.
- 12.4. At least once a year, ensure the Audit and Risk Committee will review its own performance, membership, and Terms of Reference to ensure it is operating at maximum effectiveness. The Chair will provide a report to Council summarising its activities for the year including any recommended changes it considers necessary to the Council for approval. The Chair will be present at that meeting of Council to support the report submitted.
- 12.5. The Committee will provide an annual report to the Council on the Committee's work during the period to which the report relates.
- 12.6. The Chief Executive Officer or delegate may undertake a review of the effectiveness and performance of the Audit and Risk Committee including a review of the Terms of Reference. This review must be undertaken by an external party appointed by the Chief Executive Officer or delegate in consultation with the Lord Mayor. The Council will be informed that a review is being undertaken and the outcome of the review.

4. GUIDING PRINCIPLES

13. Procedures in the Audit and Risk Committee meeting that must be observed are detailed in the *Local Government Act 1999 (SA)* and *Local Government (Procedures at Meetings) Regulations 2013 (SA)*.
14. Council has resolved to apply the provisions of Parts 1, 3 and 4 of the *Local Government (Procedures at Meetings) Regulations 2013 (SA)*.
15. Procedures within the:
- *Local Government Act 1999 (SA)* (the Act)
 - Parts 1, 3 & 4 of *Local Government (Procedures at Meetings) Regulations 2013 (SA)*
 - Behavioural Standards for Council Members
- have informed the drafting of the Terms of Reference and Meeting Procedures for the Audit and Risk Committee.
16. This document includes any Council specific requirements, identifies practices or protocols that support meeting procedures, is in plain language and is a summary of the legislation wherever possible.
17. Where a procedure is not prescribed, the Audit and Risk Committee can determine its own procedure provided it is not inconsistent with the Act, Regulations, or this document.
18. This document is drafted to support the guiding principles that the procedures to be observed at meetings of the Audit and Risk Committee will:

- contribute to open, transparent, and informed decision making.
 - encourage appropriate public participation in the affairs of the Council.
 - reflect levels of formality appropriate to the nature and scope of responsibilities exercised at the meeting.
 - be sufficiently certain to give the community and decision makers confidence in the deliberations undertaken at the meeting.
19. This document is written for the information of the public, Audit and Risk Committee members and staff of the City of Adelaide and applies to ordinary and special meetings.

5. MEMBERSHIP

Membership

20. Members of the Audit and Risk Committee are appointed by Council in accordance with section 126(2) of the Act and these Terms of Reference. The Committee shall consist of five members including: One Councillor and Four Independent Members. The Lord Mayor shall be an *ex-officio* member and:
- 20.1. Is not included in the membership number
 - 20.2. Has no voting rights
 - 20.3. Receives all agendas and minutes, and
 - 20.4. Is able to participate in discussion.

Appointment of Members

21. Members of the Audit and Risk Committee (when considered as a whole) must have skills, knowledge and experience relevant to the functions of the Audit and Risk Committee, including financial management, risk management, governance and ideally be familiar with the reporting requirements of Local Government.
22. Recruitment of Independent Members will be undertaken by Administration in accordance with approved recruitment best practice and relevant policies and procedures. Once completed, a recommendation(s) for appointment will be put to Council for decision.
23. Criteria used to select Members will have regard to diversity and representation principles, noting:
- 23.1. City of Adelaide employees are not eligible to be members of the committee.
24. Appointments of Independent Members shall be for a term of up to four years and appointments of Council Members shall be for a term of two years. Four years is the preferred term for Independent Members however consideration will be given to shorter terms to enable staggering of potential reappointment dates and to ensure there is continuity of experience on the committee.
25. Appointees may be reappointed by Council for a further term (or terms) however consecutive service cannot exceed 8 years, noting:
- 25.1. Members of the Committee may be removed by Council resolution at any time.
 - 25.2. Council will appoint an Independent Member as the Presiding Member of the Committee for a period of its choosing. Council may decide to extend the appointment noting a member cannot exceed two terms of appointment.

Proxies

26. Proxy members for the Council Member may be appointed to the Audit and Risk Committee by the Council. The proxies appointed will be able to act for the Council Member appointed for the two-year appointment period.

Remuneration Schedule 2022-2026

27. The Lord Mayor and Council Member are not remunerated for participation on the City of Adelaide Audit and Risk Committee as their participation is voluntary and can be considered an extension of their role.

28. Independent Member will be paid an allowance in the form of sitting fees for each meeting attended, which will be reviewed and set by Council for within 6 months of the General Election. Professional fees will also be paid for the advice and attendance of the Internal and External Auditors at the Audit and Risk Committee.

6. BEHAVIOURS

29. Council Members are required to observe the Behavioural Standards as determined by the Minister. The Behavioural Standards published in the *SA Government Gazette* on 22 November 2022 are a public declaration of the principles of good conduct and standards of behaviour that the Lord Mayor and Members of Council are expected to demonstrate in the performance of their responsibilities as elected community representatives and within decision-making forums. Committee members are expected to observe Behavioural Standards.

Behavioural Standards

Committee Member Integrity

30. City of Adelaide Audit and Risk Committee members, pursuant to s 62 of the *Local Government Act 1999 (SA)* are required to observe the following:
- All members of the Committee must comply with chapter 5 part 4 of the Act relating to Conduct, Disclosure and Register of Interests
 - A member of Committee must always act honestly in the performance and discharge of official functions and duties.
 - A member of a committee must always act with reasonable care and diligence in the performance and discharge of official functions and duties.
 - A member or former member of a committee must not, whether within or outside the State, make improper use of information acquired by virtue of his or her position as a member of the Committee to gain, directly or indirectly, an advantage for himself or herself or for another person or to cause detriment to the council.
 - A member of a committee must not, whether within or outside the State, make improper use of his or her position as a member of the committee to gain, directly or indirectly, an advantage for himself or herself or for another person or to cause detriment to the council.
 - A member or former member of a committee must not disclose information or a document:
 - where there is a confidential order in effect for the information or document to be treated confidentially, or
 - that the member or former member knows, or ought reasonably to know, is information or a document that is otherwise required to be treated confidentially.
 - A member of a committee must not direct or seek to influence an employee of the council in the exercise or performance of a power or function delegated to or performed by the employee.
 - A member of a committee must—
 - ensure that a request for information or a document from a person engaged in the administration of the council is made in accordance with the requirements of the Chief Executive Officer of the council; and
 - ensure that a request for the performance of work or the taking of action by an employee of the council is made in accordance with the requirements of the Chief Executive Officer of the council.
31. An Audit and Risk Committee member must not whilst at a meeting –
- Behave in an improper or disorderly manner, or
 - Cause an interruption or interrupt another member who is speaking.
32. An Audit and Risk Committee member is not considered to have caused an interruption if

they are:

- Objecting to words used by a member who is speaking, or
 - Calling attention to a point of order, or
 - Calling attention to a want of quorum.
33. If the Chair considers that a committee member has behaved improperly, disorderly, or is causing interruption or interrupts another who is speaking, the meeting may resolve to censure or suspend said member for a part or remainder of the meeting.

Members of the Public

34. Public access to meetings underpins a key aim of the Local Government Act for transparency and accountability of Council and Committee decision making.
35. Any person attending a meeting of the Audit and Risk Committee is required to:
- not intentionally obstruct or hinder proceedings
 - not behave in a disorderly manner
 - not disrupt or interrupt the meeting
 - be respectful in their language and behaviour
 - reserve discussion and conversation for before or after the meeting
 - observe the protocol for electronic devices to be switched off or switched to silent
 - limit the number of distracting activities.
36. The Chair may remind any person attending a meeting (as a participant or an observer) of the expectation of behaviour standards at the beginning of the meeting.
37. The Chair may request any participant or observer to not behave or continue to behave in a disorderly or disruptive manner.
38. In the event that a participant or person attending a meeting refuses the request of the Chair, that person may be escorted from the meeting or the meeting may be adjourned.
39. A member of the public who behaves in a disorderly manner or causes interruption at a meeting may incur a maximum penalty of \$500.

7. MEETINGS

Audit and Risk Committee

40. All meetings are open to the public.
41. The public may be excluded from attendance at part of a meeting if the meeting determines that the receipt, discussion and consideration in confidence is necessary and appropriate.
42. An up-to-date schedule of dates, times and places set for ordinary meetings of the Audit and Risk Committee can be found on www.cityofadelaide.com.au
43. Special meetings may be held at any time, in accordance with the section 87 of the *Local Government Act 1999 (SA)*; the date, time and place will be published on www.cityofadelaide.com.au

Frequency, Times and Locations of Meetings

44. The Audit and Risk Committee shall meet at least six times per year, on dates and times determined by the Audit and Risk Committee. It will meet in the Colonel Light Room, Town Hall, King William Street, Adelaide, unless otherwise determined by Council or the Chief Operating Officer.
45. The Audit and Risk Committee will consider and determine its meeting dates and commencement times to support this schedule. The schedule may be altered by the Chief Operating Officer in consultation with the Chair, taking into consideration:
- Changes in quorum and availability of members

- Urgency of business
46. Each Audit and Risk Committee meeting is scheduled for 2 hours.

8. BEFORE THE MEETING

Notice of Meeting and Agenda

47. Notice to the public of the times and places of Audit and Risk Committee meetings will be published on www.cityofadelaide.com.au
48. Public notice with an Agenda will be displayed at 25 Pirie Street, Adelaide until the completion of the relevant meeting.
49. The agenda for every meeting will identify any items of business and the basis for the matter recommended to be received, discussed and considered in confidence.
50. A notice of meeting setting out the date, time, place of meeting, accompanied by the agenda with reports for the Audit and Risk Committee, will be distributed to Committee members and published on the Council website by close of business Friday, the week before the meeting.
51. Public notice for an ordinary meeting of the Audit and Risk Committee must be published at least 3 days before the meeting.
52. One hard copy of the agenda for an Audit and Risk Committee, including reports or workshop/discussion items and excluding any items recommended to be received and discussed in confidence, will be displayed at 25 Pirie Street, Adelaide and made accessible to the public via, the City of Adelaide website at www.cityofadelaide.com.au.
53. Noting the minimum notice to be given of four hours prior to a special meeting, notice of meeting and an agenda with reports for a special meeting will, wherever possible, be distributed with at least 24 hours' notice of the meeting.
54. If the nature of a matter requires that it remains confidential, the matter will be marked 'Confidential' in agendas, reports and any other meeting papers dealing with the matter prior to distribution to meeting participants.
55. A person receiving a meeting paper marked 'Confidential' must not provide that paper to any other person or discuss or disseminate information in that paper unless the meeting has resolved that the matter is not to be treated confidentially.

Agenda Structure

56. The Chief Operating Officer may change the structure of the agenda at any time.
57. The Chair with the consent of the meeting may change the order of consideration of an item listed on the agenda.
58. Agenda structures for an ordinary meeting and special meeting are provided below.

Ordinary Meeting Agenda

1. Acknowledgement of Country
2. Apologies and Leave of Absence
3. Confirmation of the Minutes
4. Declaration of Conflict of Interest
5. Presiding Member Reports
6. Reports
7. Emerging Key Risks
8. Independent Member Discussion
9. Other business

10. Exclusion of the Public (if required) *
11. Confidential reports (if required) *
12. Closure

* Note - Items 10 and 11 will only be listed on the agenda when an Item is presented with a request for consideration in a meeting closed to the public

Special Meeting Agenda

1. Acknowledgement of Country
2. Apologies and Leave of Absence
3. Declaration of Conflict of Interest
4. Reports (Chief Operating Officer Reports) (or purpose of the special meeting)
5. Closure

*Note – An item to exclude the public will only be listed on the Special Meeting agenda when an item is presented with a request for consideration in a meeting closed to the public

Developing the Agenda

59. The Chief Operating Officer is responsible for Agenda development and publication for Council and Committee meetings.
60. To enable effective decision-making at the meetings of the Audit and Risk Committee, members must commit to reading agendas in advance of the meetings and addressing any questions or concerns about the content to the Chief Operating Officer.

Confidential Items

61. To support transparency and accountability, Council endeavors to receive reports in public wherever possible and any reports proposed to be considered in confidence will be in line with relevant legislation.
62. The matter will be listed with the basis for consideration in confidence in accordance with the provision under section 90 of the Local Government Act 1999 (SA).
63. An Audit and Risk Committee member must not disclose information, or a document identified for consideration in confidence.
64. Staff must not disclose information, or a document identified for consideration in confidence.

Late Reports

65. From time to time, a report will be prepared for the consideration of the Audit and Risk Committee after the compilation of reports for the preparation of the agenda. This will only occur when there is a matter of urgency that requires a timely decision by the Council.
66. A late report will be listed on the agenda with a notation advising the report will be distributed separately and circulated to committee members via email and published on Council's website at the earliest opportunity prior to the meeting.
67. A late report not circulated with an agenda for a meeting will be attached to the minutes of the meeting.

Attendance at Meetings

Leave of Absence

68. Whilst absence from a meeting may, on occasion, be unavoidable, it is recommended practice to request a 'leave of absence' when a member knows in advance that they will be unable to attend two or more Audit and Risk Committee meetings.

Apologies

69. Apologies for non-attendance at an Audit and Risk Committee meeting must be forwarded to the Chair and Chief Operating Officer before the scheduled start time of

the meeting. Apologies will be recorded in the minutes, and time permitting, in the agenda.

Non-Attendance at Meetings

70. A member who does not attend an Audit and Risk Committee meeting without the benefit of a formal leave of absence or an apology will be recorded in the minutes as absent.

Leaving during a Meeting

71. If a committee member needs to leave the Colonel Light Room, he or she should indicate this to the Chair (e.g. by standing, facing the chair and making eye contact before leaving the meeting).
72. This will also provide the minute taker with the opportunity to record the movement from the Colonel Light Room. Committee members should be aware that as soon as they leave their seats, they are considered to have left the meeting.

Identifying Conflict of Interest

Committee Members

73. The Act outlines material and general conflicts of interest and disclosure. It is the responsibility of all members to acquaint themselves with these Sections to inform them of the considerations and behavior required.
74. Committee members need to have reviewed the agenda and supporting papers and reports prior to attending an Audit and Risk Committee meeting, and have considered their potential interest in the matters to be discussed at the meeting. A copy of the Conflict-of-Interest form will be circulated with the agenda.
75. A member will fill in a Conflict-of-Interest form prior to the meeting to outline their conflict and how they intend to manage it. This will be submitted to COAGovernanceTeam@cityofadelaide.com.au who will also provide it to the Chair no later than 12:00 pm on the day of the meeting.
76. If a member wishes to seek advice about a possible conflict of interest before a meeting, they should contact the Associate Director, Governance and Strategy or Team Leader Council Governance. If necessary, staff will refer the matter to the Council's lawyers for advice.
77. Committee members are required to inform the meeting and are required to declare their conflict, describe the nature of the interest and indicate whether they propose to participate in the matter, at the beginning of the meeting or at the time a conflict arises during a meeting.

Staff

78. It is a condition of employment and the responsibility of all staff to acquaint themselves with relevant sections of the Act to inform them of the considerations and behaviour required.
79. The Chief Operating Officer must inform the Committee and staff must inform the Chief Operating Officer.
80. Staff providing advice or making recommendations are also required to inform the meeting.

9. AT THE MEETING

81. The Chair and the meeting are required to observe the provisions in this Terms of Reference and Meeting Procedures document.
82. The Chair must be fair and impartial to all in a meeting to maintain order and to ensure that the conduct of the meeting adheres to this document including:
83. The Chair is not excluded from debate and may add to the debate nearing its end (to not lead whilst presiding).

Other Procedures

84. In the event a procedure is not prescribed, by the Act, regulation or determined in this document, for a circumstance that occurs in a meeting, the Chair and/or meeting may determine a procedure to manage the circumstance having considered the following principles:
- to be fair and contribute to open transparent and informed decision-making,
 - to encourage appropriate participation by people present at the meeting,
 - to reflect levels of formality appropriate to the nature and scope of the responsibilities exercised at the meeting, and
 - is sufficiently certain to give members and other key stakeholders confidence in the deliberation undertaken at the meeting.

Minutes

85. The Chief Operating Officer is responsible for ensuring that minutes are kept of the proceedings at every Audit and Risk Committee meeting.

Recording of Meetings and Use of Mobile Phones

86. Recording of meetings (including audio, photographs and/or video) by members or third parties will only be allowed with the prior approval of the Chair.
87. If an audio and or visual recording of a meeting for live streaming (excluding any portion of the meeting closed to the public) is produced, it will be available via the City of Adelaide YouTube channel, accessible on the City of Adelaide website www.cityofadelaide.com.au
- In addition, the Chair, or the Chief Executive Officer or delegate, upon opening the meeting will advise if the public session of the meeting is being recorded and/or streamed live to the internet. The recording and/or streaming of a meeting may be determined on a case-by-case basis by the Chief Executive Officer or delegate, or by resolution of the Committee
88. Mobile phones (including other devices capable of emitting sound) should be turned off, or in silent mode, during the Audit and Risk Committee meeting.
89. Committee Members should limit their use of mobile phones during meetings. If members need access to their phone, members are required to leave the Colonel Light Room to take a call so as to avoid disruption to the meeting.

Quorum

90. A meeting is not able to conduct any business until a quorum is present.
91. The quorum for a meeting is ascertained by dividing the total number of members by two, ignoring any fraction resulting from the division, and adding one.
92. A Council Member who is suspended from office or granted leave because of standing for Parliament is not counted in the total number of members when ascertaining quorum.

Adjournment of meeting prior to start time

93. If the number of apologies received by the Chief Operating Officer indicates that a quorum will not be present at a meeting, the Chief Operating Officer will cancel the meeting and refer the business listed for the meeting to the next or another meeting.

Chair

94. When the Chair is present, they must preside.
95. The Chair of the Audit & Risk Committee is appointed by the Council for a period of its choosing. Council may decide to extend the appointment noting a member cannot exceed two terms of appointment.
96. In the absence of the Chair, a Committee member selected via nomination is chosen to preside by resolution of the members present. The Committee member chosen may preside until the Chair is present.

Appointing a committee member to preside if required

97. In the absence of the Chair, the process to appoint a Chair for the meeting is as follows:
 - Nominations sought.
 - A secret ballot for selection if required.
 - Appointment through resolution
98. With a quorum present, the Chief Operating Officer, Associate Director, Governance and Strategy or Governance officer will ask for nominations for a committee member to preside.
99. Nominations do not require a seconder, nor do they need to be in writing.
100. To proceed to an appointment, a committee member nominated will be requested to indicate acceptance of their nomination.
101. If there is only one nomination, a mover and seconder will be sought, and motion voted upon to appoint the Committee member to the role of Chair for the meeting.
102. If there is more than one nomination, a ballot will be conducted prior to a mover, seconder and motion voted upon. The ballot may be conducted electronically or via a paper ballot. A record of individual votes in a secret ballot is not retained.

Ballot Process

103. The Chief Operating Officer, Associate Director, Governance and Strategy or Governance officer will identify the name of each nominee and request each member to vote by marking their ballot with their preferred nominee.
104. All Committee members present will indicate which member they wish to vote for via their ballot, and a senior officer will collect the ballot and conduct the count.
105. The member with the most votes will be declared the winner.
106. In the case of a tied ballot, members are to cast a vote for their preferred candidate from the tied candidates. If a revote cannot determine a clear winner and there is a continuing tie, then lots must be drawn to determine which candidate(s) will be excluded.
107. The name of the candidate/s withdrawn are excluded from the ballot. After lots are drawn, the remaining candidate is the winner.
108. The meeting makes the appointment by resolution, namely a mover/seconder for a motion to appoint and a majority vote in favour by show of hand.

Starting the Meeting

109. The Chair will seek the attention of all members present and start an ordinary or special meeting at the time given in the Notice for the meeting or soon after when a quorum is present.

Adjournment for want of a quorum

110. If after 30 minutes from the commencement time specified in the notice of meeting a quorum is not present, the Chief Operating Officer will disband the meeting and refer the business listed for the meeting to the next or another meeting.
111. If debate is interrupted for want of a quorum and the meeting is then adjourned the debate, on resumption of the meeting, it will continue from the point at which it was interrupted.
112. A meeting can be adjourned to a later time or to another place on the same day as the notice for the meeting.

Decision making by Resolution

113. A matter for decision at a meeting will be decided by a majority of the votes cast by the members present at the meeting and entitled to vote.

By Resolution

114. The decision-making process for meetings is by resolution ie
- A motion,
 - That is moved, seconded and
 - voted on by show of hand in favour or against.
 - A majority in favour becomes a decision and the resolution.
- The process also includes debate (speaking), possible amendment or variation and final voting by the members present and entitled to vote.
115. The outcome of a majority vote in favour of a motion is referred to as the resolution. The phrase 'by resolution' is used to refer to the decisions of Council and a Committee.
116. The resolutions of the Audit and Risk Committee decision-making process are for the purpose of recommendation to Council for determination, except for several matters that relate to the operation of the meeting.
117. Resolutions of the Audit and Risk Committee are presented in a report to Council by the Chief Operating Officer.

Voting

118. Each member of the Audit and Risk Committee has a deliberative vote.
119. The Chair or Deputy Chair or another member presiding in a meeting of the Audit and Risk Committee has a deliberative vote with no casting vote in the event of an equality of votes.
120. To vote, the Chair will ask for the votes of those members in favour and then for the votes of those members against.
121. Those Audit and Risk Committee members present and entitled to vote must vote and clearly indicate by show of hand when asked to vote by the Chair. A proxy member in attendance is entitled to vote when representing a committee member who is not present at the meeting.
122. This process can be repeated as often as is necessary to enable the Chair to determine the result of the voting and then declare the outcome.
123. A member who is not in his or her seat is not permitted to vote.
124. The outcome of a vote will be declared by the Chair in a meeting of the Audit and Risk Committee to be:
- Carried (majority in favour) (decision made)
 - Lost (majority against) (no decision)
 - Lost due to an equality of votes (no decision)

Speaking, Motion/Amendments/Variations in Decision-making

Addressing each other

125. When the Lord Mayor is present at a meeting, the Lord Mayor is to be addressed as 'Lord Mayor'.
126. At a meeting of an Audit and Risk Committee, the Chair is to be addressed as 'Chair'.
127. At a meeting a committee member should address the Chair and not the public gallery.

Speaking

128. To support shared values and supporting behaviours, committee members are requested to:
- engage with each other respectfully in robust debate.
 - listen to others' views and speak to the issue and not the person/s.
 - be positive, constructive and creative in problem solving.

- be open-minded and willing to learn from each other and from staff input.
129. The contribution of a member must be relevant to the subject matter of the debate.
130. A member whilst speaking or through their behaviour must not behave in an improper or disorderly manner.
131. It is at the discretion of the Chair, whether to control improper and/or disorderly behaviour by way of a few warnings before imposing regulation.
132. A member whilst speaking or through their behaviour must not speak to cause interruption or interrupt another member who is speaking, unless they are:
- Objecting to words being used by the member speaking
 - Raising a point of order
 - Advising of a loss of a quorum

Speaking to ask a Question in a meeting

133. During consideration of an item of business, Committee members may direct a question through the Chair and the Chief Operating Officer in relation to the item of business.
134. Staff will respond to questions from the floor at the invitation of the Chair and will acknowledge the Chair.
135. The Chair may:
- Allow a reply to a question to be given at the next meeting.
 - Rule that a question not be answered if the Chair considers that the question is vague, irrelevant, insulting or improper.
136. A question raised during an item of business and the reply will not be included in the minutes of the meeting unless a motion is moved/seconded and carried to do so, at the time the reply is given.

Motions, Amendments and Variations

137. Precis of process that may occur in decision-making:
- Discussion
 - Motion (moved/seconded) (Chair may move a motion).
 - Debate on motion
 - Leave of the meeting to vary, alter or withdraw a motion
 - Amendment – 2
 - Amendment (moved/seconded by members who have not spoken in the debate)
 - Debate on an amendment
 - Leave of the meeting to vary, alter or withdraw an amendment
 - Mover of amendment to sum up.
 - Vote on an amendment and outcome declared by Chair
 - Debate continues on motion (or motion as amended)
 - Mover of the motion (or motion as amended) afforded the opportunity to sum up prior to a vote.
 - Vote on the motion (or motion as amended) and outcome declared by Chair.

Resolutions

138. Once debated, the Chair puts the motion to a vote and if carried by a majority of votes, it becomes a resolution of the meeting. Resolutions of the Audit and Risk Committees are implemented by the Chief Operating Officer.
139. The Audit and Risk Committee cannot make decisions except by resolution.

140. In the meeting, the Chair will facilitate a motion being moved, seconded, debated and voted upon by the members present.

Closure of the Meeting

141. The Audit and Risk Committee will aim to determine all matters within the agenda before the close of the meeting.
142. Audit and Risk Committee meetings will finish once all items have been dealt with, or after 2 hours, whichever is met sooner.
143. The Chair may seek to extend the time of closure of the meeting until all business has been dealt with.
144. Any items not dealt with at the meeting will be deferred to the next or another Audit and Risk Committee meeting or a Core Committee (if time critical).

10. AFTER THE MEETING

Minutes of Audit and Risk Committee

145. If a meeting is disbanded or adjourned, for want of a quorum, the minutes of the meeting will identify the meeting adjourned for want of a quorum, the names of the Committee members present and identify that the business listed for consideration will be re-presented as determined by the Chief Operating Officer.
146. The minutes of the proceedings of a meeting will include content as required under Regulation 25, including:

- the names of the members present at the meeting
- each motion or amendment, and the names of the mover and seconder
- any variation, alteration or withdrawal of a motion or amendment
- whether a motion or amendment is carried or lost
- any disclosure of interest made by a member
- details of the making of an order to exclude the public from the meeting
- a note of the making of an order to keep a matter confidential

In addition to Regulation 25:

- Carried unanimously (as directed by the Chair)
- The opening and closing time of the meeting
- The names of members with Apologies and approved leave of absence
- The names of members who have not provided an apology or been granted a leave, as being absent
- A record of any undertaking given by the CEO
- Acknowledgment of Country
- The topic of a Workshop/Presentation, name of speaker and precis of topic presented

Confirmation of Minutes

147. The minutes of the proceedings at a meeting must be submitted for confirmation at the next meeting or, if that is not possible, at a subsequent meeting.
148. On confirmation of the minutes, the Chair must, on hardcopy or electronically:
 - initial each page of the minutes, which are to be consecutively numbered.
 - place his or her signature and the date of confirmation at the foot of the last page of the minutes.

149. The Chair may initial/date/sign the minutes at or after the meeting.

Audit and Risk Committee Minutes

150. Committee Members will receive a copy of all minutes of proceedings within 5 days of the meeting and all City of Adelaide Council Members will also be provided with a copy.

Public Access to Minutes

151. Minutes excluding proceedings retained in confidence, will be available on the City of Adelaide website www.cityofadelaide.com.au following distribution to Committee Members.

11. OTHER MATTERS

Special meetings of Audit and Risk Committee

152. Special meetings may be held at any time.

153. If a written request with an agenda for a special meeting is given to the Chief Operating Officer, the Chief Operating Officer must call a special meeting of the Audit and Risk Committee at the request of:

- the Chair, or
- at least two members of the Audit and Risk Committee.

154. A member of the Audit and Risk Committee must receive notice of a special meeting at least 4 hours prior to the commencement of the special meeting.

155. Public notice with an agenda for a special meeting of the Audit and Risk Committee will, wherever possible, be published with at least 24 hours' notice of the meeting.

Provisions that Apply to Audit and Risk Committee

156. The Terms of Reference and meeting provisions contained in the City of Adelaide Audit and Risk Committee Terms of Reference and Meeting Procedures were resolved by Council on ## ##### 2025.

12. REVIEW

157. As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed as per legislative requirements or when there is no such provision a risk assessment approach is taken to guide the review timeframe.

158. The Audit and Risk Committee Terms of Reference will cease to operate if the Audit and Risk Committee is wound up through Council resolution or at the conclusion of the 2022-2026 Term of Office.

Review History

159. In the event of:

- statutory provisions enacted by the Parliament of the State of South Australia being amended; or
- resolution of the Council;

the Terms of Reference will automatically be updated and a description of the edit included in the review history table below.

Trim Reference	Authorising Body	Date	Description of Edits
ACC2025/XXXX	Council	###/###/2025	Determined by Council

Contact:

For further information contact the Governance Program

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DRAFT

Future Fund - function and operation

Strategic Alignment - Our Corporation

Wednesday, 11 December 2024
Audit and Risk Committee

Presenter: Anthony Spartalis
Chief Operating Officer

Public

PURPOSE OF WORKSHOP

The Chief Operating Officer undertook at the 9 August 2024 meeting of the Audit and Risk Committee to give a briefing on the purpose and operation of the City of Adelaide Future Fund.

The attached presentation outlines the origin, principles, rationale, functions and implementation of the existing Future Fund, and discussion in this meeting will give the Committee the opportunity to ask questions.

KEY QUESTIONS

As a general briefing, no specific questions are posed. However the format of the agenda item gives Committee members the opportunity to ask clarifying questions around the key points of the presentation.

- END OF REPORT -

Future Fund

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Function and Operation

Why a Future Fund?

Financial Sustainability

- Historically asset sales have not generated long-term financial benefit
- Invest capital-generated surplus funds to grow the revenue base to achieve financial sustainability, rather than increasing taxation on the existing revenue base
 - Maximise Commercial Opportunities
 - Become less reliant on Council Rates
- Revenue generating and other assets are optimised
- Investing in initiatives that achieve strategic objectives

Purpose

- To quarantine monies received from the sale of underperforming assets
- Ensure proceeds from asset sales are reinvested into income generating investments
- **Proceeds from selling assets will build a ‘future fund’**
As a custodian of public assets, we have a responsibility to invest in the future. Proceeds from the sale of Council assets (such as from property sales) will be transferred and quarantined to a reserve fund (to be known as the Future Fund) for the purpose of funding the future purchase(s) of new income generating assets, not to fund operational expenditure or the renewal of assets. This will enhance Council’s capacity to respond to emerging opportunities in the future and facilitates the opportunity to grow community wealth without adding to public debt.

Principles

1. Deposits into the Future Fund are from **net proceeds from sale of underperforming assets** defined by the Strategic Property Review.
2. The **purpose of the Future Fund** is to quarantine the funds generated and ensure that they are held aside to either fully or partially contribute to **future investments of Council**.
3. Investments are defined as **income generating investments** which may include tangible or intangible assets that will generate income for the future.
4. Investments would be of a strategic nature supported by a **business case and evaluation criteria** established in the guidelines associated with the policy.
5. The Future Fund in its nature is a reserve by accounting definitions and will not be held in a separate bank account but disclosed separately on Council's balance sheet. Physical cash will continue to be **managed in accordance with Council's Treasury Policy**.

The Future Fund is defined in the Future Fund & Investment Policy and informed by:

- Treasury Policy
- Acquisition & Disposal of Land & Assets Policy
- Strategic Property Action Plan

Application of Future Fund Policy:

- Ensure access to the fund for investments which generate future income to Council
- Ensure consistent evaluation of investments to inform decisions of Council
- Ensure returns from investments are maintained at an approved threshold

Future Fund Balance

Asset Sales (Attributed to Future Fund)	\$'000s
Realised Asset Disposal Proceeds: <ul style="list-style-type: none"> • Former Bus Station Site • 88 O'Connell • 211 Pirie Street • Whitmore Square Housing • Whitmore Square Commercial Tenancy • Ergo Commercial Tenancy • James Place Toilets • Private Roads 	55,384
Less Investments: <ul style="list-style-type: none"> • Central Market Arcade Redevelopment • Flinders Street Acquisition/ Site Works • Property / Commercial Investigations 	(18,755)
Future Fund Balance as at 30 June 2024	36,629
Add Forecast Proceeds: <ul style="list-style-type: none"> • 88 O'Connell Final Payment 	
Less Forecast Investments: <ul style="list-style-type: none"> • Central Market Arcade Redevelopment • Flinders Street Acquisition / Site Works 	(5,483)
Total Forecast Proceeds (Future Fund)	31,147

Future Fund – Offset Account



Future Fund is currently managed in line with our Treasury Policy. Proceeds related to the Future Fund have been used to offset borrowings, which would otherwise be forecast to increase to \$62.945m as at 30 June 2025

Current Arrangement \$'000s	2023/24 Actual	2024/25 Budget
Cash / (Borrowings) as at 30 June 2025	1,635	(23,733)
Future Fund Reserve Balance as at 30 June 2025	36,629	39,212

Treating the Future Fund like an offset account (as with a home loan), cash proceeds accumulated would sit in a separate account, with interest incurred on the smaller offset net amount.

“Offset” Account \$'000s	2023/24 Actual	2024/25 Budget
Debt we would have had	(35,000)	(62,945)
“Offset” Account - Future Fund Balance	36,629	39,212
Net amount that interest is calculated on	1,635	(23,733)