



# Audit and Risk Committee

## AGENDA & REPORTS

for the meeting

Wednesday, 12 April 2023  
at 8.30 am

in the Colonel Light Room, Adelaide Town Hall

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Membership	The Lord Mayor 1 Council Member 4 External Independent Members 2 Proxy Council Members
Quorum	4
Presiding Member	David Powell
Committee Members	The Right Honourable the Lord Mayor [Lord Mayor, Dr Jane Lomax-Smith] Paula Davies John Oliver Simon Rodger Councillor Jing Li

**1 Acknowledgement of Country**

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

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

**2 Apologies and Leave of Absence**

Apology -  
John Oliver

**3 Confirmation of Minutes**

That the Minutes of the meeting of the Audit and Risk Committee held on 3 February 2023, be taken as read and be confirmed as an accurate record of proceedings.

**4 Presiding Member Reports**

**5 Presentation**

5.1	Draft 2023/24 Business Plan and Budget Update	4 - 16
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**6 Reports**

6.1	Risk Management Operating Guidelines	17 - 34
6.2	Update on Procurement and Contract Management System	35 - 39

**7 Emerging Key Risks**

**8 Independent Member Discussion**

**9 Other Business**

**10 Closure**

## Draft 2023/24 Business Plan and Budget Update

ARC Presentation

Strategic Alignment - Enabling Priorities

Public

**Wednesday, 12 April 2023**  
**Audit and Risk Committee**

**Presenter:** Anthony Spartalis,  
Manager Finance & Procurement

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### PURPOSE OF PRESENTATION

The purpose of this presentation is to provide ARC Members with an update on the process taken with Council so far to develop the 2023/24 draft Annual Business plan and Budget, along with next steps.

Questions from ARC Members are welcome during the presentation, however no specific feedback or decision is required at this stage.

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- END OF REPORT -

City of Adelaide

# 2023/24 Business Plan and Budget

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## 2023/24 Business Plan and Budget Update

Audit and Risk Committee  
12 April 2023

1. Journey to date
2. Content of each Council workshop/session
3. Next Steps

## Journey to date

### Council training, workshops and reports

Page 5

<b>Context</b>	<input checked="" type="checkbox"/>	Onboarding training on Strategy, Finance and Assets
	<input checked="" type="checkbox"/>	Priorities, opportunities, ways of working
	<input checked="" type="checkbox"/>	How we plan and budget guide and online research library
	<input checked="" type="checkbox"/>	Functional Directory and Program Guides
<b>Building Planning Knowledge</b>	<input checked="" type="checkbox"/>	Legislative requirements
	<input checked="" type="checkbox"/>	Capital, Asset Management and Integrated Planning
	<input checked="" type="checkbox"/>	Service Planning
	<input checked="" type="checkbox"/>	Financial Planning
<b>Building Budget Knowledge</b>	<input checked="" type="checkbox"/>	Organisational Finance update (history and current state)
	<input checked="" type="checkbox"/>	Discretionary responsibilities – understanding short and long term abilities
	<input checked="" type="checkbox"/>	Operating, Capital, Revenue/Income, Expenditure breakdown
	<input checked="" type="checkbox"/>	Fees and Charges, Rates, Borrowings – utilising financial levers
<b>Building the 2023/24 Business Plan and Budget</b>	<input checked="" type="checkbox"/>	Principles and Parameters
	<b>April</b>	Consider Priorities and Projects
	<b>April</b>	Feedback from Audit and Risk Committee and proposed budget
	<b>April</b>	Budget scenario building - proposed rates, fees and charges
	<b>April</b>	Draft budget – proposed expenditure (priorities, capital and strategic projects and services) for consultation
	<b>April</b>	Draft budget – proposed income (rates, fees and charges) for consultation
	<b>May</b>	Community Consultation and feedback
<b>June</b>	Adoption of Final 2023/24 Business Plan and Budget	

## Journey to date

### Council training, workshops and reports

#### 30 November 2022

Induction Training – Strategic Planning and Financial Management

#### 24 January 2023

Induction Training – Service Planning, Asset Management and Elected Members Priorities

#### 7 February 2023

Induction Training – Budget Principles, Revenue, Rates, Rebates, Assets, Liabilities, Levers and LTFP

#### 21 February 2023

Workshop – Budget Principles

#### 4 March 2023

Saturday Induction Training – Historic and current Programs, Services, Assets, Budget and Principles

#### 14 March 2023

Workshop – Parameters and live budget tool

#### 21 March 2023

Workshop – Rating

Workshop – Fees and Charges

Report – Principles

#### Still to come:

- Priorities
- Introduction to Projects
- Capital Projects
- Strategic Projects
- Budget Scenarios
- Adoption of Community Engagement Approach
- Adoption of Draft Business Plan and Budget
- Adoption of Draft Fees and Charges
- Adoption of Community Engagement Feedback
- Adoption of the Final Business Plan and Budget

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## Induction Workshop - Strategic Planning & Financial Management

30 November 2022

- Legislative context and environment
- Council responsibilities
- CEO and administration responsibilities, and ARC
- Strategic Management Framework and associated Plans
- Service Planning and functions
- LTFP and associated principles
- Cash inflows and outflows
- Levers for funding and expenditure
  - Rates
  - Fees and charges
  - Borrowings
- Risks and opportunities
- Quarterly reporting
- LGA & CoA financial sustainability ratios
- Financial Statements
- Budget operational and capital
- Budget Summary including expenses and funding – Grants, Rates, Fees and Charges

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## Induction Training – Service Planning, Asset Management and EM Priorities

24 January 2023

- Summary of training so far
- Purpose of Business Plan and Budget
- How a Business Plan and Budget is developed
- Funding Framework and decision making
- Our Services – community, corporate, costing of services and changes to services
- Asset Management overview
- Asset Management Plans and Levels of Service
- Integrated Capital Works planning and delivery model
- Introduction to developing Annual Priorities
- DISCUSSION and ACTIVITY – Elected Member Priorities



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## Budget Principles & LTFP Workshop

7 February 2023

- 2022-23 Budget
- Revenue breakdown
  - Rates
  - Valuation methodology & rates calculation
  - Rebates
  - Exemptions
  - Fees and charges
- Expenditure breakdown
- Capital City Council comparisons
- Physical assets
- Liabilities
- Key concepts and clarifications
  - Operating vs capital
  - Borrowings and cash management
  - Grant types
  - Depreciation vs renewal spend
- Process to build annual budget
- Levers and level of influence
- Building the LTFP
- LTFP levers and assumptions
- Current LTFP projections

## Budget Principles & LTFP Workshop cont.

### 21 February 2023

Discussion occurred on the merits and intent on each of the Principles listed below:

1. Council will maintain an operating surplus
2. Council will continue to deliver a minimum of the current suite of services and asset maintenance
3. Costs are indexed in line with Consumer Price Index (CPI) to maintain existing services
4. New or enhanced services, assets or maintenance requiring an increase in operating costs are to be funded from the adjustment of priorities, rate or other revenue increases and/or through savings
5. Fees and charges are set, where appropriate, based on their nature and intent
6. Council will not seek to change the rating system for the 2023/24 Budget
7. Council may need to adjust rate revenue in order to achieve the desired budget (as per Principle 1), after consideration of all other budget components
8. Growth in rate revenue will be used to partly fund servicing new rateable properties and to service new borrowings
9. Council will consider new and different revenue streams and the approach to our commercial businesses to reduce reliance on existing revenue services
10. Council recognises that new Capital expenditure requires corresponding operating costs
11. The Capital renewal expenditure budget will be based on asset management plans
12. Council capitalises on external funding, fast-tracking projects that attract such funding, recognising the potential need for increased borrowings in order to respond to external funding opportunities
13. Council will consider the disposal, purchase and /or repurposing of property assets to unlock the potential and future prosperity of the City, without incurring a financial loss
14. Borrowings will be used to fund new and upgrade projects (which include major projects)
15. Borrowings will not be used to fund operations, expenses or renewal projects
16. Council will demonstrate transparency in its decision making

**Note: All Principles above were adopted by Council on 28 March 2023**

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## Business Plan & Budget Workshop

4 March 2023

- Discussion on Financial Principles
- Program Budgets 2022-23
- Capital Works
  - Asset Lifecycle
  - Asset Renewal
  - Asset Management
  - Historic capital program expenditure (renewal and new/upgrade)
  - Renewal vs maintenance
  - Rolling 4-year renewal program – interactive tool
  - Major funding considerations
- Financial information
  - Debt and the Future Fund
  - Borrowings snapshot
  - Historic operating revenue
  - Historic expenses

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## Budget Parameters Workshop

14 March 2023

The following budget parameters were explored through the use of an interactive model showing the potential impact on different components of the budget stemming from different decisions Council may choose to make:

1. **Operating Position:** Breakeven, surplus or deficit? If surplus, how much? On what basis?
2. **Fees and Charges:** Reinstate previously waived fees? Increase by CPI, or some other amount or other fees and levies?
3. **New services/levels:** Allow an amount to increase/add some services? If so, how will we fund this? Stop something? Raise rates? Raise fees?
4. **Renewal expenditure:** As per asset plans – 3-year forward plan
5. **New/upgrade expenditure:** What do we need to include? How much to spend? Impacts on debt and projected debt levels?
6. **Major projects:** What do we need to include? Impacts on debt and projected debt levels?
7. **Strategic Projects:** Currently assumed at \$5.4m. What level of spend do we want?
8. **Operating costs for New Capital:** Awareness of ongoing impact to operating budget when making decisions about New and upgrade or Major Projects.
9. **Debt limit/s:** What is our attitude towards debt? What is acceptable/unacceptable?
10. **Rate increase:** None, CPI, minimum and/or maximum, revaluations, other fees and levies?

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## Fees and Charges Workshop

21 March 2023

- Recap on financials related to Fees and Charges
  - Fees and Charges break down
  - Historic Fee revenue
  - Historic User Charges revenue
- Impact of waiving Fees and Charges
- Benchmarking Fees
  - Outdoor dining
  - Parklets
  - Objects on footpath
- Principles for Fees and Charges
- Discussion and considerations on approach to Fees and Charges
- Key questions
  - Support for Principles
  - Certain activities to approach differently
  - Approach to previously waived Fees

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## Rating Workshop

21 March 2023

- Governing legislation
  - Rating policy
  - Taxation principles
  - Exemptions and rebates
  - Key rating strategies
  - Rating on occupation
  - Annual Assessed Value (AAV) vs Capital Value
  - Mass Valuation vs Individual Valuation
  - Rates revenue & Growth
  - Rating Process
- Key questions
    - Rate revenue required to achieve desired budget outcomes
    - Special Discretionary Rebate capping rates to 10% increase
    - Separate Rates to fund projects and initiatives
    - Vacant Land approach to encourage development

City of Adelaide

# 2023/24 Business Plan and Budget

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## 2023/24 Business Plan and Budget Update

Questions?

Audit and Risk  
Committee  
12 April 2023

## Risk Management Operating Guideline

Wednesday, 12 April 2023

Audit and Risk Committee

Strategic Alignment - Enabling Priorities

**Program Contact:**

Alana Martin, Manager  
Governance

Public

**Approving Officer:**

Steve Zaluski - Acting Chief  
Operating Officer

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## EXECUTIVE SUMMARY

The purpose of this report is to provide the recently reviewed Risk Management Operating Guideline (the Guideline) to the Audit and Risk Committee for noting.

The City of Adelaide (CoA) Risk Management Operating Guideline is reviewed every two years, with the previous review occurring in April 2021.

Pursuant to its Terms of Reference, the Strategic Risk and Internal Audit (SRIA) Committee is responsible for the review and approval of the Guideline. SRIA has reviewed the Guideline and provided approval by circulation on 27 March 2023.

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## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE

1. Notes the CoA Risk Management Operating Guideline as Attachment A to Item 6.1 on the Agenda for the meeting of the Audit and Risk Committee meeting held on 12 April 2023
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate and facilitator by maintaining a transparent decision-making process.
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	Sound risk and opportunity management enables well informed decision making and supports the delivery of the Strategic Plan
Opportunities	Sound risk and opportunity management enables well informed decision making and supports the delivery of the Strategic Plan
22/23 Budget Allocation	Not as a result of this report
Proposed 23/24 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
22/23 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. Pursuant to clause 4.1 of the Audit and Risk Committee’s Terms of Reference, the Audit and Risk Committee shall review the effectiveness of the Council’s internal controls and risk management systems.
2. City of Adelaide’s (CoA) Risk Management Operating Guideline (the Guideline) sets the foundation for people who create and protect value in Council by managing risks, making decisions, setting and achieving objectives and improving performance.
3. The guideline is reviewed every two years, with a recent review undertaken and approved by Council’s Strategic Risk & Internal Audit (SRIA) Committee on 27 March 2023.
4. The majority of changes within the document are to streamline the flow of information and update certain terms.
5. For ease of reading, the revised guideline appears with track changes shown from the previous version, presented in [Link 1](#).
6. The complete guideline appears as **Attachment A**. Material changes made are as follows:

Section	Title	Changes made
	Operation	Consolidation of the introduction to managing risks
Part 1	Enterprise Risk Management and Risk Appetite	Additional information and consolidation of risk appetite Risk appetite will be reviewed by Council in conjunction with the development of the Strategic Plan
Part 3	Risk Management Framework	Removal of sections that are not applicable to CoA and consolidation of risk management framework Include information regarding different avenues of training material and sessions such as proactive risk management sessions
Part 4	Risk Management Process	Include all employees, volunteers and contractors in the risk management process and removal of sections that are not applicable to CoA and consolidation of risk management process. Moved within the document for better flow
Part 4	Effectiveness of Risk Controls	Moved within the document for better flow.
Part 4	The Waterline Principle	Consolidation of the risk management tool that CoA use when managing risks
Part 4	Internal Controls	Consolidation of internal controls that CoA adhere to as per section 125 of the <i>Local Government Act 1999 (SA)</i>
Part 4	Training	Removal of this section as it has been included under Risk Management Framework

7. It is also noted that Council will be undertaking a review of Risk Management at the City of Adelaide, which is intended to be reported to Audit and Risk Committee in November 2023.

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## DATA AND SUPPORTING INFORMATION

**Link 1** – Risk Management Operating Guideline – showing changes from previous version

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# ATTACHMENTS

**Attachment A** – Risk Management Operating Guideline

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- END OF REPORT -

# Risk Management Operating Guideline

21 April 2021

Administration

## PURPOSE

The Risk Management Operating Guideline sets the foundation for people who create and protect value in Council by managing risks, making decisions, setting and achieving objectives and improving performance.

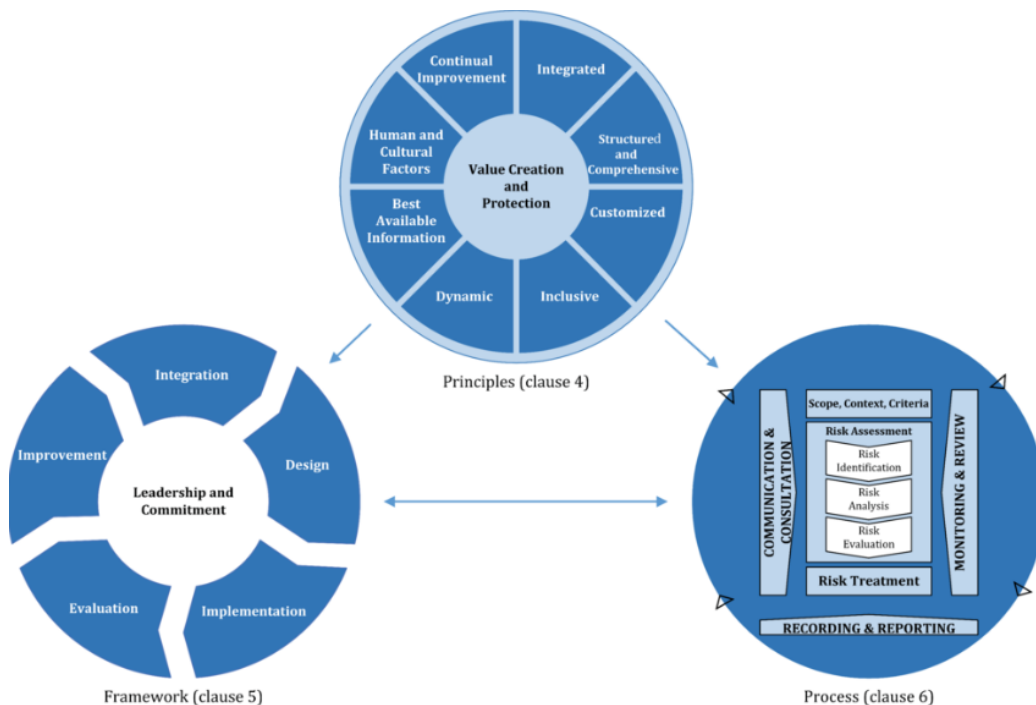
## OPERATION

Managing risk is part of good governance and leadership and is fundamental to how Council is managed at all levels. It contributes to the improvement of management systems based on the principles, framework and processes as illustrated in the below:

**Principles** provide guidance on the characteristics of effective and efficient risk management, communicating its values and explaining its intention and purpose.

**Framework** is to assist the Council in integrating risk management into activities and functions (including projects).

**Process** includes the risk assessment of the activity by addressing the risk identification, risk analysis and risk evaluation to identify the risk treatments to mitigate the risk.



Please refer to *Related Documents Table* for a detailed image of the above.

## PART 1

### ENTERPRISE RISK MANAGEMENT AND RISK APPETITE

Enterprise Risk Management includes the methods and processes used by the organisation to manage risk and maximise opportunities related to the achievement of Council's objectives. It is intended to be embedded in the organisation's culture, enabling well informed decision making within Council's risk appetite.

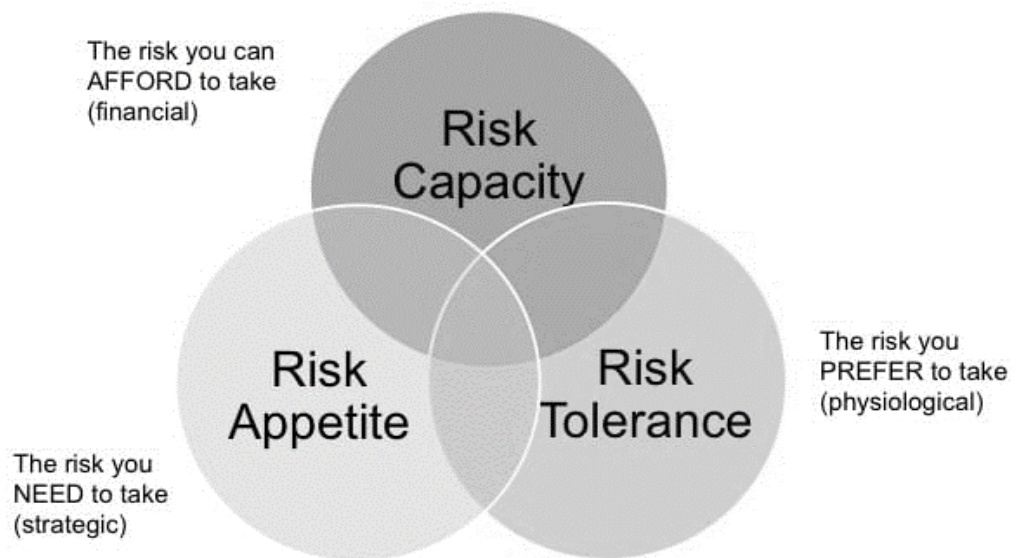
Risk appetite can be explained as the total impact of the risk the organisation is prepared to accept in the pursuit of achieving its strategic objectives.

Risk Appetite has two components to it:

- Risk tolerance: how much risk can the organisation choose to accept?
- Risk capacity: how much risk can the organisation afford to take?

### Balancing Risk

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Understanding risk appetite will help the organisation in the efficient allocation of resources across all identified risks and enable the pursuit of opportunities as boundaries can be defined around opportunity seeking actions.

The risk appetite statement informs the development of risk tolerances for the CoA and provides guidance on how the risk appetite statement is to be applied in everyday business activities and decisions. Whilst the tolerance for a Local Government entity is often guided by the parameters of legislation, mere compliance does not efficiently express the total potential for risk taking and its associated tolerance; these are expressed through appropriate risk culture practices.

The CoA will accept a moderate residual risk rating however significant focus it to be put on the healthy and mature risk conversations through the executive Strategic Risk and Internal Audit group (SRIA), which underpins the organisation's risk culture and enables better informed decision making. Each relevant Executive leader has the opportunity to escalate and monitor risk concerns by bringing matters through to SRIA. This group monitors emerging strategic and reputational risks in line with the Waterline principle and philosophy.

This strategic governance structure empowers the Executive to make decisions and adjust conventional risk tolerances on a risk by risk basis.

However, as a rule of thumb, conventional enterprise risk management is assessed through the below risk appetite statements:

Extent of Risk Appetite	Risk Tolerance	Risk Management Approach
<p><b>High Appetite (Open)</b></p> <p><i>CoA will operate in this area or in this way after all options are considered, and the most appropriate option selected for an acceptable level or reward or value for money</i></p>	High Tolerance	Innovation / venture / explore (strategy)
<p><b>Moderate Appetite (Acceptable)</b></p> <p><i>CoA will operate in this area or this way after risks have been effectively mitigated in order to pursue opportunities</i></p>	Moderate / Medium tolerance	Confident
<p><b>Low Appetite (Tolerable)</b></p> <p><i>CoA may operate in this area or in this way where the value is assessed as worthwhile, and only after risks have been effectively mitigated or uncertainty minimised</i></p>	Limited / Low tolerance	Conservative
<p><b>No Appetite (Unacceptable)</b></p> <p><i>CoA will not operate in this area. No willingness to take on any risk</i></p>	Zero tolerance	Avoid

Above moderate residual risk ratings are only acceptable subject to fully informed decision making, proper reporting and continuous monitoring of risk controls.

A **zero-risk tolerance** is present for:

- Compliance and safety breaches
- Non-compliance with the Code of Conduct
- Prolonged disruption to critical business functions (as identified through the Business Continuity Plan and Service Register)
- Decisions that have no sound financial basis and have a significant negative impact on the future generations of the city community and its ratepayers.

### Quality of Deliverable

There is a low appetite for risks that may result in the CoA providing poor service delivery (from a local government entity perspective), especially when poor quality service offerings could lead to an adverse impact on the City ratepayers.

### Organisational Performance

The CoA has a moderate appetite for decisions in relation to the core deliverables outlined in the Strategic Plan 2021-2024 and for decisions in relation to its organisational work plan

### Corporate Governance

There is a low appetite for activity that may result in non-compliance with legislation, statutory obligations and policies. The CoA has a zero tolerance for deliberate non-compliance with legal, statutory and policy requirements.

### Financial

The CoA has a low appetite for decisions that could have a negative impact on the organisation's financial sustainability.

### Fraud

There is a low appetite for fraud risk and zero tolerance for fraud incidents. The CoA has corporate governance measures in place to deal with a suspected maladministration and serious and/or systemic corruption. Internal Audit measures have been developed to minimise the potential for instances of fraud and corruption.

### Information Communication Technology (ICT) and Information Security

The CoA has a low appetite for risk that could lead to information or data security breaches and a low appetite for system failures that could disrupt normal business. The CoA has no appetite for activities that may increase its exposure to threats on its assets arising from external malicious attacks.

### Information Management

The CoA has a low appetite for activities that may compromise processes governing the use of information, its management and publication. The CoA has zero tolerance for the deliberate misuse of its information.

### Work Health & Safety

The CoA has no appetite for risks to the health and safety of its workers, which cannot be eliminated or minimised so far as reasonably practicable.

## **PART 2**

### **PRINCIPLES**

Effective risk management requires all the elements below:

a) Integrated

Risk management is an integral part of all Council operations and projects.

b) Structured and comprehensive

A structured and comprehensive approach to risk management contributes to successful risk identification and management including prudential reporting.

c) Customised

The risk management framework and process are created in line with Council's Strategic Plan and risk management culture.

d) Inclusive

The framework promotes an inclusive approach in the involvement of the relevant stakeholders, executive SRIA group members and management, to enable informed decision making.

e) Dynamic

Risks can emerge, change or disappear as external and internal factors develop. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

f) Best available information

The inputs to risk management are based on historical and current information, as well as on future expectations.

g) Human and cultural factors

Human behaviour and culture influence any/all aspects of risk management at an operational or project level.

The CoA encourages a safe environment where staff and volunteers are encouraged and supported to escalate risk to their leader, Manager Governance, or Corporate Governance team for further assessment.

h) Continual improvement

Risk management is continually improved through learning, experience and informing others. Risk management systems are audited by the Local Government Association Mutual Liability Scheme (the Scheme) every two years.

The Scheme will assess various aspects of council including WHS and request feedback and evidence from CoA in relation to our risk management practices. Feedback as provided by the Audit and Risk Committee is also considered and implemented.

## **PART 3** **RISK MANAGEMENT FRAMEWORK**

### Leadership and commitment

CoA are committed through SRIA and Executive to ensure that risk management is integrated into all organisational activities by:

- Developing and implementing the Risk Management Operating Guideline, and supporting tools and processes;
- Allocating appropriate resources for risk management;



- Supporting and encouraging risk escalation; and assigning roles, responsibilities and accountabilities with respect to risk management and communicating these at all levels of the organisation.

Roles and Responsibilities

Roles and responsibilities ensure a transparent approach to managing risk within Council.

Roles	Responsibilities
Council	Note the Risk Management Operating Guidelines
Audit & Risk Committee	Review and note the Risk Management Operating Guidelines in accordance with its Terms of Reference
Strategic Risk & Internal Audit Group	<p>Review and endorse the Risk Management Operating Guidelines</p> <p>Ensure the guideline is implemented and delivers a consistent approach to risk management by assigning responsibility and accountability at appropriate levels within the organisation</p> <p>Be a forum for risk escalation</p> <p>Monitor Council’s overall risk profile and mitigation strategies.</p>
Chief Executive Officer	<p>Promote a strong risk management culture by providing firm and visible support for risk management including ensuring appropriate accountability for the management of risk.</p> <p>Ensure that appropriate resources are allocated to managing risks.</p> <p>Ensure that the Leadership Team have the necessary knowledge and skills to effectively fulfil their risk management responsibilities and are accountable for risks arising from the activities of their programs.</p>
Executive, Associate Directors and Managers	<p>Commitment to, and promotion of, the Risk Management Operating Guideline</p> <p>Ensure that risk management is embedded into all critical functions and activities.</p> <p>Empower staff to actively be involved in managing risk.</p> <p>Promote a proactive risk culture and encourage risk escalation.</p> <p>Review Council’s Strategic Risks.</p>

Corporate Governance	<p>Provide guidance and assistance to all staff in relation to the application of this operating guideline.</p> <p>Ensure relevant risk information is reported and escalated to SRIA or Audit &amp; Risk Committee or cascaded to staff, as relevant.</p> <p>Maintain the Risk Management Operating Guideline</p> <p>Maintain the Risk Registers that are reported to SRIA and timeframes as required.</p> <p>Provide support and advice to Leadership and staff in the application and use of the Risk Management Operating Guideline.</p>
Employees, Volunteers & Contractors	<p>Understand the risk management processes that are integrated into all Council activities</p> <p>Identify, evaluate, report and manage risks in their daily activities and projects.</p>

#### Implementation

Council's risk management philosophy is implemented through induction, leader training is captured through the Network Access Form, proactive risk awareness sessions and the facilitation of risk awareness workshops. The CoA risk culture continues to build through more conversations regarding risk and opportunity management.

Proactive risk management sessions, facilitated by Corporate Governance are held every six months with Managers across CoA to discuss current SRIA items raised, operational risks and identify new and upcoming projects to ensure a risk overview is considered.

Through formal advice from the Audit & Risk Committee, Council Members have a practical understanding of Council's Risk Management Operating Guideline. Council members make informed decisions based on sound risk management principles. Council Members note the activities of the Audit & Risk Committee and risk implications on recommended decisions are incorporated in every Council report as part of a mandatory heading in the reporting template.

#### Evaluation

Council will undertake periodic reviews of the risk management resources. Every two years CoA will be audited by the Scheme on risk management systems.

#### Improvement

To maintain and improve the value of risk management to the organisation, Council will monitor and adapt its Risk Management Operating Guideline, with a view to continually improve the suitability, adequacy and effectiveness of the risk management process.

### **PART 4** **RISK MANAGEMENT PROCESS**

The Risk Management process needs to be dynamic and tailored to ensure outcomes are met. The CoA have a number of tools and resources available via the OSCAR page for

assistance in the risk management process and these tools are made available to all employees, volunteers and contractors. The Risk page on OSCAR contains the following tools: Risk Rating Table, Generic Risk Register, Construction Works Generic Risk Register, Simplified Risk Register & Events Risk Management Plan.

### Communication and consultation

The purpose of communication and consultation is to assist relevant stakeholders in understanding risk, the basis on which decisions are made and the reasons why particular actions are required. Communication and consultation with appropriate external and internal stakeholders should take place within and throughout all steps of the risk management process.

### Scope, context, and criteria

The purpose of establishing the scope, the context and criteria is to enable effective risk assessment and appropriate risk treatment. The goals, objectives, strategies, scope and parameters of the activity, or part of the Council organisation to which the risk management process is being applied will be defined.

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### Risk assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. The aim of risk identification is to develop an inclusive list of events that may occur which, if they do, are likely to have an impact on the achievement of Council's objectives.

Understanding the nature of the risk and its characteristics, including the level of risk assists in the evaluation of the risk. Risk evaluation involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required.

### Risk treatment

The purpose of risk treatment is to select and implement options for addressing risks.

Acceptance – not recognising the risk or conscious decision to accept the risk

Avoidance – not proceeding with project or idea

Control – reduce likelihood, limit consequences (impact)

Transfer – shifting responsibility of risks and losses to another party through legislation or contract (eg. Indemnity or insurance policy)

### Monitoring and review

. Ongoing monitoring and review should take place in all stages of the process and include planning, gathering and analysing information, recording results and providing feedback.

### Recording and reporting

The risk management process and its outcomes should be documented using CoA risk registers and reported through appropriate mechanisms (if required) such as SRIA and leadership.



### EFFECTIVENESS OF RISK CONTROLS

A control can be defined as an existing process, policy, device, practice or other action that acts to minimise or eliminate negative risk or enhance positive opportunities. The effectiveness of controls can be rated as either:

- **Satisfactory:** The control environment is considered to be operating effectively and thought to be providing an adequate level of assurance that risks are being mitigated and opportunities are being maximised.
- **Some weaknesses:** The control environment has some weaknesses/inefficiencies. Although these are not considered to present a serious risk exposure, improvements are required to provide adequate assistance that objectives will be achieved.
- **Weak:** The control environment is not at an acceptable standard, as many weaknesses/inefficiencies exist. Adequate assurance does not exist that objectives will be achieved.

### THE WATERLINE PRINCIPLE

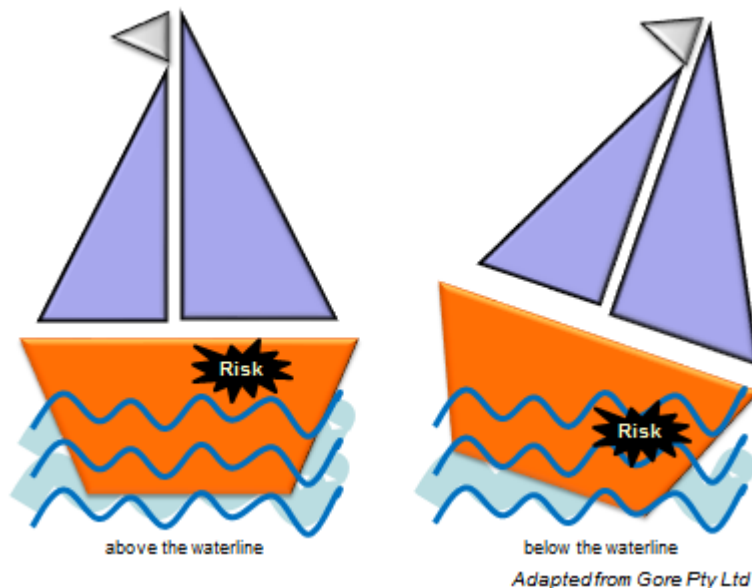
Bill Gore articulated a helpful concept for decision-making and risk-taking, what he called the “**waterline**” principle. Think of being on a ship and imagine that any decision gone badly will blow a hole in the side of the ship. If you blow a hole above the waterline (where the ship won’t take on water and possibly sink), you can patch the hole, learn from the experience, and sail on to your destination (deliver your strategic objectives). But if you blow a hole below the waterline, you can find yourself facing gushers of water pouring in, pulling you toward the ocean floor. And if it’s a big enough hole, you might go down really fast. You will not arrive at your destination; you will not be able to deliver your strategic objective.

Below the waterline risks are what we call strategic risks. They need immediate escalation to the Executive.

Above the waterline risks are what we call operational risks. They can be managed at the operational level.

The biggest risk of all is taking no risk at all. Calculated risks provide opportunities for the organisation to grow; however, they are conscious to avoid taking risk that could blow holes below the waterline.

It's important to note that some operational risks may develop into strategic risks. It's critical to identify these emerging risks timely. They need to be monitored closely.



### INSURANCE

Council's insurance portfolio is administered by the Corporate Governance team.

As an insured, Council has the obligation to notify its insurers of any substantial increase of risk exposure covered by the insurance cover. Examples are: fire protection system being switched off for repairs or maintenance, long term building vacancy, new Council activities or events outside normal council business activities etc. It is important to notify the Corporate Governance team at your earliest convenience. This will help the team to lodge accurate and up to date information to Council's insurers.

The Corporate Governance team also needs to be notified of any insurance requirements where there is an insurable interest or a potential liability exposure, or in the event of changes impacting an existing insurance cover. Examples are: new assets (new cover required), disposal of assets (insurance cover cancellation), etc.

### INDEMNITIES, CAPPED LIABILITIES, HOLD HARMLESS AGREEMENTS

Council may in some cases grant some contractual indemnities to third parties. These decisions need to be based on sound risk management as Council may potentially be exposed to some significant risks. Any variations to Council's standard contract templates need to be properly risk assessed. The Corporate Governance team must be consulted in this

assessment and will be able to assist in the risk assessment and the negotiation around the amended indemnity wording.

### PRUDENTIAL REPORTING

Please refer to section 48 of the *Local Government Act 1999*.

The Council Report required under this section needs to include an assessment of any risks associated with the project and the steps that can be taken to manage, reduce or eliminate those risks. Please refer to the Prudential Reporting Policy owned by finance and consult with the Corporate Governance team for assistance in preparing a risk assessment.

### INTERNAL CONTROLS

Council's Internal Controls are processes for assuring Council's achievement of objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. The Internal Control Systems are the policies and procedures that help ensure appropriate risk responses are executed and include a range of activities such as approvals, delegations, security of assets and segregation of duties.

Internal Controls play an important role in detecting and preventing fraud and protecting the organisation's resources, both physical (eg. machinery and property) and intangible (eg. reputation or intellectual property such as trademarks).

The objectives of internal controls are to ensure that public resources are adequately managed, and all employees of CoA are responsible for ensuring those controls are established, documented, maintained and adhered to across the CoA.

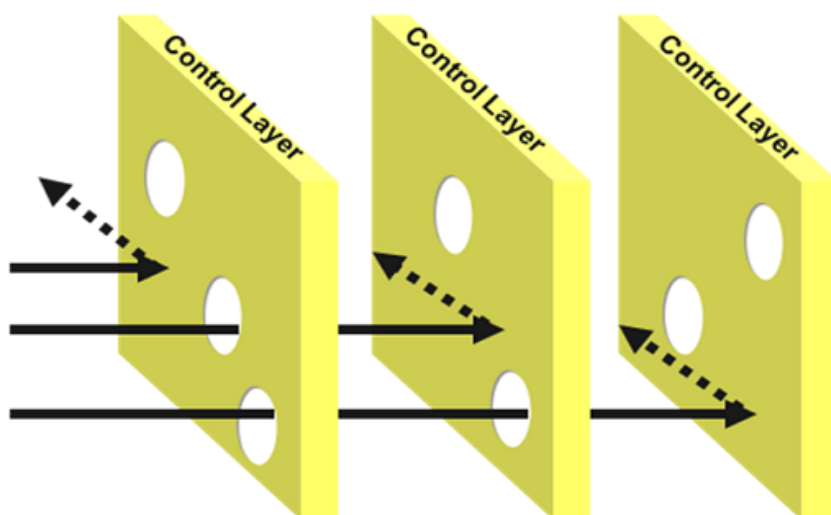
The Process Manager (formerly Promapp) software system is the tool to track and process map Council's internal controls.

#### Internal Controls Roles and Responsibilities

The Chief Executive Officer and principal member of Council must sign the financial statements in regard to internal controls as required by the *Local Government (Financial Management) Regulations 2011*.

Management must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls. Council employees must conduct their duties in accordance with internal control processes and practices of Council.

#### Lines of Defence



### PART 5

#### AUDIT & RISK COMMITTEE AND STRATEGIC RISK & INTERNAL AUDIT GROUP

##### Strategic Risk & Internal Audit Group

The success of the Risk Management model is a result of a strong Executive involvement through monthly reporting of risk and audit matters to the Strategic Risk and Internal Audit Group (SRIA), and quarterly reporting to the Audit & Risk Committee.

SRIA has an oversight on emerging issues and strategic risks, enabling well informed decision making. The role of the group is to:

- Develop and oversee Risk Management in its practical application within the Corporation
- Ensure early, quick and clear escalation of strategic risks and emerging issues to key decision makers
- Ensure appropriate controls are in place to actively manage and monitor strategic risks and emerging issues
- Ensure that sufficiently mitigated matters return to routine operations management
- Identify and communicate key learnings and ensure that relevant processes are reviewed for continuous improvement
- When a risk has been identified, this should be escalated to SRIA to discuss and place it on a risk register so it can be monitored.

For further information please see [SRIA Terms of Reference](#)

##### Audit & Risk Committee

The Audit & Risk Committee is a formally appointed committee of the CoA, pursuant to Section 41 of the *Local Government Act 1999 (SA)* and operates in accordance with section 126 of the Act and its terms of reference.

The Audit & Risk Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate

decision making by the Committee and Council in relation to the discharge of its responsibilities.

For further information please see [Audit Committee Terms of Reference](#)

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## OTHER USEFUL DOCUMENTS

### Related documents

- ISO 31000:2018 – International Standard Risk Management Guidelines
- Risk Rating Table (ACC2017/104073)
- Generic Risk Register (ACC2017/40158)
- Construction Works Generic Risk Register (ACC2017/40150)
- Simplified Risk Register (ACC2017/40151) for quick risk assessments on ideas or minor decisions or initiatives
- Events Risk Management Plans (ACC2017/104076)
- SRIA Terms of Reference (ACC2022/46690)
- Audit & Risk Committee Terms of Reference (ACC2021/154791)

### Relevant legislation

- Local Government Act 1999 (SA)
- Work Health and Safety Act 2012
- Return to Work SA Code of Conduct for Self-Insured Employers Version 12
- Civil Liabilities Act 1936

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## GLOSSARY

Throughout this document, the below terms have been used and are defined as:

**Risk:** effect of uncertainty on objectives

**Risk Management:** coordinated activities to direct and control an organisation with regard to risk

**Stakeholder:** person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity

**Event:** occurrence or change of a particular set of circumstances

**Consequence:** outcome of an event affecting objectives

**Likelihood:** chance of something happening

**Control:** measure that maintains and/or modifies risk

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## ADMINISTRATIVE

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.

This Operating Guideline document will be reviewed every two years unless legislative or operational change occurs beforehand. The next review is required in **April 2025**.

### Review history:

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
<i>ACC2018/196182</i>	<i>SRIA and Audit Committee</i>	<i>13/09/2018</i>	<i>Amendments to incorporate the new ISO31000:2018</i>
<i>ACC2020/109550</i>	<i>SRIA and Audit Committee</i>	<i>21/04/2021</i>	<i>Amendments to the risk appetite statement</i>
<i>ACC2022/19593</i>	<i>CEO</i>	<i>21/04/2021</i>	<i>Amendments to the training section</i>
<i>TBC</i>	<i>SRIA and Audit &amp; Risk Committee</i>		<i>Streamline document with consistent wording</i>

### contact:

For further information contact the Corporate Governance team

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25 Pirie ST, Adelaide, SA  
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+61 8 8203 7203  
[city@cityofadelaide.com.au](mailto:city@cityofadelaide.com.au)

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## Update on Procurement and Contract Management System

Wednesday, 12 April 2023

Audit and Risk Committee

Strategic Alignment - Enabling Priorities

**Program Contact:**

Anthony Spartalis, Manager  
Finance & Procurement

Public

**Approving Officer:**

Clare Mockler, Chief Executive  
Officer

## EXECUTIVE SUMMARY

This report responds to a specific request from the Audit & Risk Committee in February 2023, to provide a progress update on the Procurement and Contract Management System software upgrade project, currently underway.

An internal audit of the Procurement and Contracts Management function produced a number of recommendations, including upgrading and enhancing the Procurement & Contract Management System (PCMS). The objectives of the project are to optimise the Procurement and Contracts Management service through increased system functionality and efficiencies, improved insights and reporting of procurement activities. Council's Executive endorsed the audit recommendations in July 2022. Six of the remaining seven audit actions are addressed through the enhancement of the PCMS.

Implementation of the project has included engaging a third-party provider and sourcing a proposal, inclusive of investment and ongoing costs, for the PCMS. This was then analysed against available budget and supported by the Manager, Finance & Procurement.

A detailed program and timeline inclusive of software upgrade, user acceptance testing (UAT) and deliverables to suit the specific requirements of the audit outcomes has been developed and agreed, shown in **Attachment A**. The PCMS software upgrade project commenced in January 2023 and is scheduled for conclusion in June 2023.

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## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE

1. Notes the progress of the PCMS software upgrade project to date, as detailed in the program and timeline (Attachment A to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held 12 April 2023) and acknowledges June 2023 as the target completion date.
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# IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities
Policy	The PCMS upgrade projects incorporates the actions included in the Internal Audit Recommendations
Consultation	Not as a result of this report
Resource	External provider and the Procurement and Contracts Management team.
Risk / Legal / Legislative	There is a low risk that the project will be delayed due to known work volumes and available resourcing within the team to complete the stand-alone project.
Opportunities	Implementation of this project includes increased functionality and enhancement of reporting capabilities which can be used to identify process improvements, analysis of supplier performance, digitisation of forms and reporting insights to promote benefits.
22/23 Budget Allocation	\$27,730 for audit actions \$18,500 for upgrade and value add components \$46,230 total investment
Proposed 23/24 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Project forecast for completion in June 2023 with ongoing maintenance required to maintain benefits.
22/23 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	An additional \$10,500 (annual and ongoing cost component to existing licence) funded through savings from the decreased use of Vendor Panel
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. In late 2021, Rowe Advisory undertook an audit of the Procurement and Contracts Management function at the City of Adelaide – [Link 1](#).
  2. The report produced 18 recommendations which were endorsed by the Executive in July 2022.
  3. A proportion of the recommendations included optimisation and enhancement of the Procurement and Contracts Management System (PCMS).
  4. This report responds to a specific request from the Audit & Risk Committee in February 2023, to provide a progress update on the Procurement and Contract Management System software upgrade project, currently underway.
  5. The PCMS upgrade project addresses the following internal audit actions:
    - 5.1. I00638, I00639, I00654 KPI's and reporting capability.
    - 5.2. I00647 Digitisation of the procurement plan.
    - 5.3. I00651, I00652 Optimise usage and undertake a standalone project to configure the PCMS System.
  6. Value-add components in addition to the internal audit requirements include:
    - 6.1. Upgrade the software version of PCMS – more customer and user-friendly interface.
    - 6.2. Digitisation of the contracts award memo and conflicts of interest declarations – allowing for electronic signatures and workflows.
    - 6.3. E-tender box – future enhancement to integrate directly with Tenders SA to reduce administrative effort.
    - 6.4. Supplier module – enables suppliers to add their compliance documentation such as insurance certificates of currency, to reduce administrative effort.
    - 6.5. Supplier module – enables supplier and contract performance analysis through contract scorecard reporting, a noted concern throughout the audit and from Executive.
    - 6.6. Customisation of user profiles – enables specific user profiles based on user needs and provides insights for internal stakeholders through customised dashboard reporting.
    - 6.7. Mobile app – free of charge.
  7. The system provider was consulted in Q2 2022/2023 to provide a detailed costing and program for City of Adelaide's review and acceptance. The program is supported by the availability of the third-party provider from January 2023. Approvals were sought from authorised stakeholders.
  8. The project has commenced and is currently on target for completion in June 2023, as planned and shown in **Attachment A**.
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## SUPPORTING INFORMATION

**Link 1** – Rowe Advisory – Procurement Review

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## ATTACHMENTS

**Attachment A** - PCMS Software Upgrade Project Program Timeline

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- END OF REPORT

Task Name	Predecessors	Duration	Start	Finish	Work
<b>Adelaide City Council C9 Upgrade</b>		<b>90 days?</b>	<b>Mon 9/01/23</b>	<b>Fri 12/05/23</b>	<b>1,496 hrs</b>
<b>STAGE 1 - Upgrade ONLY</b>		<b>40 days?</b>	<b>Mon 9/01/23</b>	<b>Fri 3/03/23</b>	<b>768 hrs</b>
<b>PH1 - INITIATION</b>		<b>3 days</b>	<b>Mon 9/01/23</b>	<b>Wed 11/01/23</b>	<b>24 hrs</b>
Project Kick-off		1 day	Mon 9/01/23	Mon 9/01/23	8 hrs
Develop Final Project Plan	4	1 day	Tue 10/01/23	Tue 10/01/23	8 hrs
Project Plan Acceptance Meeting	5	1 day	Wed 11/01/23	Wed 11/01/23	8 hrs
Project Plan Complete		0 days	Wed 11/01/23	Wed 11/01/23	0 hrs
<b>PH2 - SOFTWARE DELIVERY</b>		<b>4 days</b>	<b>Fri 13/01/23</b>	<b>Wed 18/01/23</b>	<b>32 hrs</b>
C9 Upgrade TEST environment & data refresh		0.5 days	Fri 13/01/23	Fri 13/01/23	4 hrs
Re-establishment of OW8 Test Environment		0.5 days	Fri 13/01/23	Fri 13/01/23	4 hrs
Configure Integrations (Ci Anywhere, Content Manager, Docusign)	10,9	3 days	Mon 16/01/23	Wed 18/01/23	24 hrs
<b>PH3 - DESIGN AND BUILD</b>		<b>8 11 days</b>	<b>Fri 20/01/23</b>	<b>Fri 3/02/23</b>	<b>192 hrs</b>
Familiarisation Training Planning		1 day	Fri 20/01/23	Fri 20/01/23	8 hrs
Familiarisation Training	13	1 day	Mon 23/01/23	Mon 23/01/23	8 hrs
Fill Pre-scoping Questionnaire, Document Procurement Processes (for Stage 2)		10 days	Mon 23/01/23	Fri 3/02/23	160 hrs
Consultation/Configuration - Dashboards, Security Groups	14	1 day	Tue 24/01/23	Tue 24/01/23	8 hrs
Design Walkthrough / Sign Off		1 day	Fri 27/01/23	Fri 27/01/23	8 hrs
<b>PH4 - UAT</b>		<b>17 10 days</b>	<b>Mon 30/01/23</b>	<b>Fri 10/02/23</b>	<b>328 hrs</b>
UAT Support Period		10 days	Mon 30/01/23	Fri 10/02/23	160 hrs
City of Adelaide User Acceptance Testing		10 days	Mon 30/01/23	Fri 10/02/23	160 hrs
UAT Sign Off		1 day	Mon 30/01/23	Mon 30/01/23	8 hrs
<b>PH5 - GO-LIVE</b>		<b>18 5 days?</b>	<b>Mon 13/02/23</b>	<b>Fri 17/02/23</b>	<b>32 hrs</b>
Finalise Production Cutover Plan		1 day?	Mon 13/02/23	Mon 13/02/23	16 hrs
Execute Production Cutover		1 day	Fri 17/02/23	Fri 17/02/23	8 hrs
Business Validation & Acceptance		1 day	Fri 17/02/23	Fri 17/02/23	8 hrs
<b>PH6 - POST LIVE SUPPORT</b>		<b>22 10 days</b>	<b>Mon 20/02/23</b>	<b>Fri 3/03/23</b>	<b>160 hrs</b>
Hypercare Support Period		10 days	Mon 20/02/23	Fri 3/03/23	160 hrs
<b>STAGE 2 - Processes, Sourcing, KPI's, SRM Portal</b>		<b>22 50 days</b>	<b>Mon 6/03/23</b>	<b>Fri 12/05/23</b>	<b>728 hrs</b>
<b>PH1 - INITIATION</b>		<b>1 day</b>	<b>Mon 6/03/23</b>	<b>Mon 6/03/23</b>	<b>8 hrs</b>
Stage 2 Kick-off		1 day	Mon 6/03/23	Mon 6/03/23	8 hrs
<b>PH2 - SOFTWARE DELIVERY</b>		<b>1 day</b>	<b>Mon 6/03/23</b>	<b>Mon 6/03/23</b>	<b>8 hrs</b>
Stand up eTenderbox TEST		1 day	Mon 6/03/23	Mon 6/03/23	8 hrs
<b>PH3 - DESIGN AND BUILD</b>		<b>20 days</b>	<b>Mon 6/03/23</b>	<b>Fri 31/03/23</b>	<b>160 hrs</b>
System Configuration Requirements Review & Planning		3 days	Mon 6/03/23	Wed 8/03/23	24 hrs

Task Name	Predecessors	Duration	Start	Finish	Work
Workshops & Configuration (Digitisation of Procurement Processes & Forms)	36	8 days	Thu 9/03/23	Mon 20/03/23	64 hrs
Workshops & Configuration (COI - Evaluation Panels)	37	2 days	Tue 21/03/23	Wed 22/03/23	16 hrs
Workshops & Configuration (KPI's & Reporting)	38	2 days	Thu 23/03/23	Fri 24/03/23	16 hrs
Workshops & Configuration (SRM Portal)	39	4 days	Mon 27/03/23	Thu 30/03/23	32 hrs
Design Walkthrough / Sign Off	40,39,38,37	1 day	Fri 31/03/23	Fri 31/03/23	8 hrs
<b>PH4 - TRAINING &amp; UAT</b>	<b>35</b>	<b>14 days</b>	<b>Mon 3/04/23</b>	<b>Thu 20/04/23</b>	<b>352 hrs</b>
Training Preparation & Planning		1 day	Mon 3/04/23	Mon 3/04/23	8 hrs
Super User Training (Train the Trainer)	43	2 days	Tue 4/04/23	Wed 5/04/23	16 hrs
UAT Support Period	44	10 days	Thu 6/04/23	Wed 19/04/23	160 hrs
City of Adelaide User Acceptance Testing	44	10 days	Thu 6/04/23	Wed 19/04/23	160 hrs
UAT Sign Off	45,46	1 day	Thu 20/04/23	Thu 20/04/23	8 hrs
<b>PH5 - GO-LIVE</b>		<b>1 day</b>	<b>Fri 28/04/23</b>	<b>Fri 28/04/23</b>	<b>24 hrs</b>
Execute Production Config Cutover		1 day	Fri 28/04/23	Fri 28/04/23	16 hrs
Business Validation & Acceptance		1 day	Fri 28/04/23	Fri 28/04/23	8 hrs
<b>PH6 - POST LIVE SUPPORT</b>	<b>48</b>	<b>10 days</b>	<b>Mon 1/05/23</b>	<b>Fri 12/05/23</b>	<b>176 hrs</b>
Hypercare Support Period		10 days	Mon 1/05/23	Fri 12/05/23	160 hrs
Handover to OWS Support		1 day	Fri 12/05/23	Fri 12/05/23	16 hrs