



Project Health Check

Internal Audit Report
City of Adelaide

April 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.

Contents

Executive Summary	4
Background	5
Summary of Internal Audit Findings	7
Detailed Findings	8
Appendices:	
• Appendix 1 – Project Profiling	19
• Appendix 2 – Scope and Approach	20
• Appendix 3 – Stakeholder Consults	21
• Appendix 4 – Classification of Internal Audit Findings	22
• Appendix 5 – Disclaimers	24

Executive Summary

In accordance with the 2023/24 Internal Audit Plan for the City of Adelaide (CoA), an internal audit focussing on a health check of project management activities was performed.

Objective

The overall objectives of the internal audit focused on the assessment of the CoA's project management mechanisms, governance structure, project team roles and responsibilities and project status reporting processes. The internal audit included a deep dive of the project management methodology and practices for Paxton's Walk and Vaughan Place Project and Wyatt Street Lift.

Scope of Services

The scope of this internal audit included consideration over the following areas:

- Governance structures in relation to project management, including the role of the CoA's Project Management Office (PMO), decision making processes, and consideration of relevant monitoring and reporting mechanisms to applicable stakeholders as outlined in the grant requirements.
- High-level review of project activities associated with the scope, quality and cost management, including procurement, resourcing, scheduling, budgeting, variation management and project decision gateway and approval processes.
- Budget management and variation management process, including review and approvals of both time and budget.
- Project and change management considerations including project risk management and issues identification and assessment process.
- Project management training provided to relevant staff.
- Project management roles, responsibilities, including contingency management and accountabilities throughout each phase of the project lifecycle, including how key project information is recorded and communicated where accountabilities change.
- Processes of project closure and handover of deliverables, including financial closure, post-implementation review and contractor performance review.

A detailed list of the scope and approach is included in Appendix 2.

Positive Observations

Overall, it was noted that several changes and initiatives have been implemented to improve the delivery of major projects by the CoA within the last twelve months.

Several positive observations were noted from the CoA's continuous and conscious efforts for project management improvement, which are outlined below:



All stakeholders consulted demonstrated that they were **highly knowledgeable** of their respective roles and the broader end-to-end project management process.



Continuous improvements observed in uplifting system design and usability which resulted in improving transparency, monitoring and reporting capabilities:

- Executive Dashboard which summaries information and streamlines reporting.
- Reporting is linked to source data from various systems used across the CoA, such as Technology One, MS Project Scheduling, etc.
- Exceptions reporting is clear and is easy for Team Leaders to determine which projects require follow-up by Managers.
- Data is captured to understand Project Manager and Design team capacity based on number and complexity of projects, to assist in understanding resourcing availability for new projects.
- **Onsite construction supervisors** assist in maintaining oversight of the **quality** of construction and in **managing relationships** with sub-contractors.



The **PMO** has been implementing continuous improvement initiatives across the project management processes and provides a central coordination for the management of projects across the COA. In addition, the **PMO Intranet page** contains key information on each stage of the project lifecycle, which is easy to access for Project Managers, and clearly outlines **roles and responsibilities**, and how to **engage with other areas of the Council**, such as risk and community engagement.

Summary of Findings

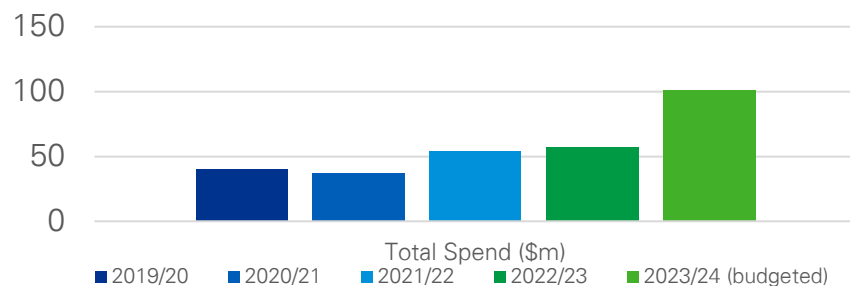
The number of findings identified during the course of this internal audit are shown in the table below with detail of the findings in this report. Classification of internal audit findings are detailed in Appendix 4. These findings and recommendations were discussed with CoA Management. Management has accepted the findings and has agreed action plans to address the recommendations.



Background

Capital Projects for the CoA are planned, designed and delivered using a centralised approach overseen by the Project Management Office (PMO). The teams involved in the management of projects includes Design, Infrastructure, Asset Management, Project Management and Governance. Projects are often implemented as a means for the CoA to achieve the Annual Business Plan & Budget (ABP&B) adopted by Council each year.

The value of projects delivered over the last five (5) financial years and the spend budgeted (excluding overheads) for FY24 has been provided below. Overall, the total value of projects to be delivered by the CoA has increased from the prior year by 75.4%. Although the scope of this review has focused on the delivery of two specific projects, it is recognised that the increase in capital program delivery size has presented other significant challenges to the CoA, including human and financial resource capacity to deliver (refer PIO1).



Governance and reporting

The CoA Change Triage Group (CTG) (weekly) and the Project Control Group (PCG) (fortnightly) meet regularly to discuss any proposed changes in accordance with their delegation. Changes considered include schedule, budget, scope, contingencies, new projects (where prior approval has not been received as part of the Integrated Business Plan) and stage gate approvals outlined in the initiate, commit, deliver, close (ICDC) project approach.

A core function of the CTG is to provide oversight over the program of work and risk and issue management. For items within their delegations the CTG will consider and approve changes where appropriate. For change management activities above their delegation a recommendation will be provided to the PCG. The PCG focus includes change requests over \$100k, changes to baseline schedules, project cancellations and items which may be politically sensitive.

Project Delivery Approach

The key five-stage, high-level processes undertaken across all project programs at the CoA in accordance with the PMO are summarised below:



Initiate: The opening phase allows for a project's strategic alignment, objectives, budget, resourcing and opportunities/risks to be identified and outlined and clarified by applicable members including project managers, asset planners and other relevant project stakeholders. Within clarification, projects can be reviewed and approved by the Executive Team.



Commit/Concept: The development of a Project Management Plan (PMP) through meetings which includes project scheduling, budget forecast and completion of Safety and Risk analysis.



Design/Detail Planning: Similarly, to the Commit/Concept phase, this phase looks at planning but on a more detailed level. Project team members come together and inspect the relevant requirements, tasks, timelines and actions needed to be actioned for the project. This formulates a process and action plan that can be executed.



Deliver: The phase in which project work is performed. After extensive planning, the timeline is executed and followed which relevant work being completed as required.



Close: The final phase, project closure occurs with the project manager verifying that all relevant parties such as the client, stakeholders or customers have approved the work performed.

Project Status Reporting Tool

The Project Status Reporting Tool is the system used by the PMO and Project Managers to manage projects and provide data for reporting to those in governance. As a result, the CoA has the ability to capture key data points across projects to assist in decision making and planning. The data captured is collated by the system into Management Dashboards, including the Capital Works Status Update and Management Dashboard, Expenditure Dashboard, Design Dashboard and Detailed Project List, etc.



Background

Paxton's Walk & Vaughan Place

The Paxton's Walk Revitalisation project had the goal to bring new life into the East End pedestrian link by making the walkway a more 'vibrant, welcoming, green and accessible place'. The location has been a focal point of Adelaide growth and usage with Lot Fourteen, The Botanic Gardens, the University of Adelaide and East End all being within walking distance. In addition, works on Vaughan Place allowed for improved drainage away from footpaths.

Budget

It was advised that the initial budget was based on a proposed allocation of funding based on similar scale projects, that was value engineered by the Project Team, through the design development phase. On 10 June 2021, a grant of \$2.2m was awarded to the CoA via the "Open Space and Places for People" Grant, which required a \$500,000 contribution from the Council.

In the acquittal report dated 19 September 2023, it was outlined that the total available funding for the project was \$2,738,134, compared to the actual spend of \$2,449,255. A difference of \$288,879.

Timeline

An outlined timeline is shown below:

- Design and land ownership transfer completed by end of September 2021.
- Tendering and council approval passed in February 2022.
- Project Commence date planned for April 2022.
- Construction official begun in August 2022.
- The project was completed by March 2023.

Construction and implementation was set to take 21 weeks. However, due to design complexities and subcontractor delays, the project reach completion in March rather than January 2023.

Wyatt Street Lift

The Wyatt Street Lift renewal project was a complete replacement of three (3) multi-floor lifts found within the Wyatt Street UPark. The project was to increase the serviceability and accessibility for the UPark attendees along with making the upper levels of the car park more accessible.

Budget

Initially the budget for the Wyatt Street project was approved at approximately \$1.2m. However, following a competitive tender process, submissions were received below \$720k (including contingency), including that of the successful contractor awarded the project. Subsequently, a Change Request was submitted reducing the approved budget by \$480k, to be reallocated to other projects.

It was advised that the initial budget was based on an annual lift inspection report from lift specialist, Elevator Direction, which included a capital expenditure plan with forecast cost estimates and a prioritised schedule over a 5 year period.

Timeline

Due to the potential for greater business disruption for the UPark Carpark, the Wyatt Street Lift was an accelerated priority in an attempt for a timelier completion. In addition, only one lift was operated on at a time to allow for access to the UPark, to be sustainable throughout the process. A timeline outlining key events in relation to the lift renewal are outlined below:

- The tender for the lift renewal was published on 22 September 2021.
- The tender was closed on 12 October 2021.
- Planned work schedule for Lift 1: August 2022 to October 2022
- Planned work schedule for Lift 2: October 2022 to February 2023
- Planned work schedule for Lift 3: February 2023 to May 2023

Challenges arose that caused extended delays such as stolen building equipment, an unforeseeable workers strike along notable defects found by contractors adding additional required work. With these delays, the final "Safe to Operate" certificate was issued on the 8 September 2023.



Internal Audit Findings

Internal Audit identified two (2) moderate risk-rated findings, one (1) low risk-rated finding 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 follows:



Rating	Ref #	Description
Moderate	F1	Additional rigour is required in the development and management of project budgets
Moderate	F2	Amendments to the PMO Framework to further align with the risk and complexity of projects
Low	F3	Further clarity and accountability required to support the uptake of the Project Status Reporting Tool
PIO	PIO1	Opportunity to holistically consider the CoA's capital works at a portfolio level
PIO	PIO2	Opportunity to provide a standard external stakeholder management template



Finding 1 – Additional rigour is required in the development and management of project budgets

Finding(s):

Additional rigour is required in the development and management of project budgets. A similar finding was previously raised in the Project Management Review completed by KPMG in December 2020.

Details on the budgets for the two sampled projects are outlined on Page 6.

From Internal Audit's review of documentation and stakeholder discussions, the following issues were observed:

A) Development and review of project budgets

At a portfolio level, an annual budget is developed for Major Projects, New/Upgrade and Renewals. It is understood the development of these budgets is based on an initial estimate that is then inherited by the Project Managers.

At a project level, per the PMO Framework the following budgeting key stages include:

- Initiate Phase: The Project Brief and Budget is approved.
- Commit/Concept Phase: Design completed to 30%.
- Design/Detail Planning Phase: Design completed to 100%.
- Budgets & scheduling to be reviewed at each stage gate (Initiate, Commit/Concept, Design/Detail Planning, Deliver and Close).

It is important that budgets are formally reviewed at each stage gate as the definition/design of a project becomes more certain, to assist in forming more accurate budgets.

It appears that prior to issuing the Tender, a review of the budget was not conducted for the Wyatt Street Lift Project:

- The approved budget from the Project Brief was \$1.2m. It was advised that the initial budget was based on an annual lift inspection report from lift specialist, Elevator Direction, which included a capital expenditure plan with forecast cost estimates and a prioritised schedule over a 5 year period. This was evident from the Replacement Value for the Lift as of 1 July 2020 at \$1.275m.
- Following a competitive tender process, submissions were received below \$720k (including contingency), including that of the successful contractor awarded the project.
- Subsequently, a Change Request was submitted reducing the approved budget by \$480k, to be reallocated to other projects.

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Recommendation(s):

It is recommended the CoA:

A) Development and review of project budget

Conduct a review to understand the source of budget variances.

1. Update the PMO guidance to provide clarity on the level of confidence in budget estimates at different project stage gates. This could be achieved by expressing the budget amount as a wide range (+/-40%) at an early stage of development where certainty is low and narrowing this range as the project is developed (+/-10%) as the level of certainty increases.
2. Educate relevant staff on any updates to the PMO framework / guidance.
3. Gather data on the variance of budgets through stage gates, to assist in determining the source of budget variations as the Council's PMO function matures.

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Moderate

Agreed Management actions:

A. Development and review of project budget

1. A review will be completed by the PMO, and findings will be reported to the "Budget & Contingency Working Group" for discussion and action.
2. The Training and Education of Project Managers & Asset Planners is a continual process however the process and tools are already in place. The PMO onboards all new staff with one on one training. All enhancements to the PSRT tool and reports are communicated to Staff via monthly IDT meetings and "PMO News" a new communications recently implemented.
3. In preparation of the FY25-26 budget, the Asset Planning Team will review unit rates and the costs to deliver projects in 23-24 to improve the estimation of budgets for 25-26. Contingency will also be applied to budgets based on either risk/complexity of projects. A guideline for project contingency (developed, budgeted for and managed over the duration of the project including the release of contingency) is currently being developed by the Budget & Contingency Working Group. At the completion of the 24-25 program delivery the PMO will provide findings from the PSRT on project budgets accuracy. As part of this review, data will be gathered on the variance of budgets through the different stage gates, to assist in determining the source of budget variations.

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Finding 1 – Additional rigour is required in the development and management of project budgets**Finding(s):***(Continued from the previous page)*

Project budget certainty is directly tied to design/definition development. This means that budgets set during the 'Initial Phase' should be assumed to have a substantial degree of inaccuracy (e.g. +/- 50%). Further development of design will reduce this inaccuracy but will elongate delivery timeframes. This trade-off should be navigated with guidance that aligns to the Council's tolerance for uncertainty. The PMO governance should outline an expected level of design (expressed as a %) and corresponding certainty of costs (expressed as range of +/- variance. Ongoing monitoring of budget variance should be used to further inform this guidance.

B) Contingency management

There is an opportunity for improvement in the CoA's management of contingency budgets. Currently, contingency is managed within each project, and is generally built up on a 10% flat rate. The following was observed in relation to contingency budgets:

- Contingency budgets are utilised at the Project Mangers discretion for individual projects, and there is no transparency in current financial reporting on the component of total project budgets that are contingency.
- It has also been advised that contingency is given to all projects regardless of size/risk type, which can result in unutilised funds sitting within smaller projects. Better practice would see a "contingency pool" of funds available for small/low risk projects.

As a result, there is a lack of transparency in the management of individual project budget as to whether project underruns are the result of unused contingency. In addition, the amount of project contingency used across projects is unclear.

C) Project financial reporting

It is recognised that transparency of the ongoing financial position and budgets for projects has been improving with the recent improvements made to the Project Status Reporting Tool (PSRT). However, the usefulness of the data in the PSRT is limited by the quality of the data inputs, see Finding 3.

*(Continued on the following page)***Recommendation(s):***(Continued from the previous page)***B) Contingency Management**

- Define the purpose of contingency.
- For small/low risk projects, implement a "contingency pool" of funds.
- For more complex projects, contingency to be stated separately within the total budget of each project.
- Consideration should be given to how this will be captured in the PSRT.

See Finding 2, for recommendations on the 'Complexity Rating' of projects.

C) Project financial reporting

- See Finding 2 for recommendations on further guidance on the use of PSRT by staff.

Moderate**Agreed Management actions:***(Continued from the previous page)***Responsibility:**

- Associate Director Infrastructure
- Associate Director Infrastructure and Manager Finance & Procurement
- Associate Director Infrastructure and Manager Finance & Procurement
- Associate Director Infrastructure and Manager Finance & Procurement

Target Dates:

- 30 September 2024
- 31 December 2025
- 31 December 2025
- 30 September 2024

B. Contingency Management

- Contingency will be applied to budgets based on either risk/complexity of projects. A guideline for project contingency (developed, budgeted for and managed over the duration of the project including the release of contingency) is currently being developed by the Budget & Contingency Working Group. This will be rolled out to PM's for new stages or projects & new projects in the 24-25 program.
- The Finance team has implemented a Contingency Task in the Finance system to enable new projects in 24/25 to identify and manage the contingency budget as a task line within the overall project budget.
- Refer the above Management action 2.*
- 24/25 Finance and PMO will be displaying contingency on projects separate to budgets in Finance system, PSRT and Dashboards.

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**Finding 1 – Additional rigour is required in the development and management of project budgets****Finding(s):***(Continued from the previous page)***Risk(s):**

A lack of rigour in the development and ongoing management of project budgets, increases the risk of the following:

- Where there is a regular occurrence of significant cost underruns, or unutilised contingency funds, there is a risk of missed opportunities to fund other capital projects aligned to the Council's strategic initiatives.
- Cost overruns may have a negative financial impact and reputational impact on the CoA. In addition, there may be significant time and effort incurred associated with managing the cost and agreeing on additional funding.
- A lack of transparency in financial reporting may result in gaps of decision useful information for those in leadership.

Recommendation(s):**Moderate****Agreed Management actions:***(Continued from the previous page)***Responsibility:**

1. Associate Director Infrastructure
2. Manager Finance & Procurement
3. Manager Finance & Procurement
4. Manager Strategy, Insights & Performance

Target Dates:

1. 30 September 2024
2. Completed
3. Completed
4. 30 September 2024

C) Project financial management

1. Contingency will be applied to budgets based on either risk/complexity of projects. A guideline for project contingency (developed, budgeted for and managed over the duration of the project including the release of contingency) is currently being developed by the Budget & Contingency Working Group. This will be rolled out to PM's for new stages or projects & new projects in the 24-25 program. (Refer further detail Finding 2, Management Response 1a).

Responsibility:

1. Associate Director Infrastructure

Target Date:

1. 30 September 2024

Finding 2 – Amendments to the PMO Framework to further align with the risk and complexity of projects**Finding(s):**

The PMO Framework provides clear guidance on how all projects should be managed through the initiative to close phases. However, this utilises a ‘one size fits all approach’.

A similar finding was previously raised in the Project Management Review completed by KPMG in December 2020.

As outlined on page 4, guidance for Project Managers is provided by:

- Information available on the PMO Intranet Page
- PMO Introduction document
- PMO Guidelines document.

Through stakeholder consultation and review of documentation, the following issues were observed:

- In response to the recommendations from the December 2020 Report, a Complexity Matrix had been implemented to categorise projects into different governance process streams. However, whilst it is acknowledged that as part of the development of the Project Brief, a ‘Complexity Rating’ is determined, the PMO Framework does not provide guidance on how to utilise this rating. The ‘Complexity Rating’ is based on asset complexity, external stakeholder engagement, contract value, project type, and timeline.
- The level of depth required for key processes is not prescribed by the PMO Framework. This was specifically evident for:
 - Risk management: when to escalate risks to Program Control Group (PCG), Asset Renewals Governance is not prescribed and is reliant on Project Manager discretion.
 - Quality management: there is lack of clarity on the requirements to engage external consultants (i.e., design, cost estimation and project management) based on the level of complexity, risk and value of projects.
 - Governance Structures: When a Steering Committee for a project is required but is not prescribed in the PMO Framework. It is noted that the Paxton St project did not have a Steering Committee and had a complexity rating of ‘High’.
 - Lessons learned: Lessons learned were completed for one (1) of two (2) projects sampled.

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Recommendation(s):

It is recommended the CoA:

1. Update the PMO Framework and provide guidance for project complexity, aligned to the ‘Complexity Rating’ undertaken as part of the Project Brief. For example, define:
 - a. Level of details required to be input into the PSRT.
 - b. Guidance on level of engagement across the CoA, including risk, sustainability, stakeholder engagement, etc.
 - c. The requirement for a Steering Committee which may be required for “Major” projects. A set of criteria may be established outlining when a Steering Committee is required (e.g. political in nature, high public interest, etc.). Reporting requirements and timeframes should also be defined, this may include the development of a report template, including design, safety, budget, schedule, customer (e.g. public) and risks.

Further consideration should be given to whether the current project ‘Complexity Rating’ Framework is appropriate for the Council. Additional information on better practice ‘Complexity Rating’ framework has been provided to the PMO separate from this report.

2. Subsequent stage gate approvals may be used as a forum for reconsidering classification where appropriate.

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Moderate**Agreed Management actions:**

1. The PMO framework / guideline will be updated to provide more guidance for project complexity to assist Project Managers as part of the Project Brief. The updated guidelines will include:
 - a. Level of details required to be put into the PSRT (at a minimum).
 - b. Level of engagement expected such as risk, sustainability, stakeholder, etc.
 - c. Requirements for a Steering Committee for ‘major projects’ - including a set of criteria established outlining when this Committee is required.
 - d. Reporting requirements and timeframes, including design, safety, budget, schedule, customer and risks.
2. Higher level gates already exist through the project lifecycle and PMO reporting process. These include Initiate / Commit / Design / Procurement / Construct / Completion phases. Other specific Gates within major projects are identified through the schedule. The formation of steering committees is currently ad hoc and on an ‘as needs basis’, generally for higher risk complex works. Moving forward the framework will provide guidance on Steering Committee ToRs, including when these are needed, participation, agenda and reporting, etc.

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**Finding 2 – Amendments to the PMO Framework to further align with the risk and complexity of projects****Finding(s):***(Continued from the previous page)*

- As discussed in Finding 3, there is a lack of clarity of the requirements and depth of detail required to be entered into the Project Status Reporting Tool (PSRT) for higher complexity, risk and value projects, compared to low risk and value projects.

It was observed for the projects sampled that Project Managers are already ‘scaling’ the level and depth of key project management processes. However, this is informally applied at the Project Managers’ discretion.

Risk(s):

In the absence of a scalable approach to project management, there is a risk that:

- Insufficient rigor in undertaken in managing higher complexity projects, and allocations of resources is applied to large complex.
- Projects of low risk and complexity are over scoped and resourced, or have requirements to complete tasks which do not provide value to the Council, resulting in inefficiencies.

In addition, where the complexity and risk related to projects is not effectively considered in the initial planning stages of a project, there is a risk that projects are under scoped or resourced. This may include lack of consideration for time and resourcing required to manage complex projects, or time required to undertake stakeholder management, a current focus are of the CoA.

Recommendation(s):*(Continued from the previous page)*

- Once updated, the ‘scalable’ PMO Framework should be formally implemented through communications to the Project Managers and training.

An example of Project Profiling has been included in Appendix 1.

Moderate**Agreed Management actions:***(Continued from the previous page)*

- The PMO team remains active in communicating changes to the PM group, TMs and Managers. Guidance will be forthcoming about future changes and improvements to the process. This will be driven by the PMO team and supported through documentation accessible to PMs.

Responsibility:

- Associate Director Infrastructure
- Associate Director Infrastructure
- Manager Strategy, Insights & Performance

Target Date:

- 30 June 2025
- 30 September 2024
- 30 September 2024

Finding 3 – Further clarity and accountability required to support the uptake of the Project Status Reporting Tool

Low

Finding(s):

The CoA has recently implemented the Project Status Reporting Tool (PSRT). Whilst the PSRT has resulted in oversight and transparency improvements to the management of projects at the CoA, the effectiveness of the PSRT is limited by the quality of the data entered by Project Managers. Further clarity on the requirements to use the system and top-down driven accountability is required, to support the consistent use of the PSRT across the CoA.

The PSRT is the system utilised by the PMO, Project Managers and those in governance to manage and oversee the progress of the CoA's projects. It is understood that the primary purpose of the PSRT is not to manage projects, but rather to ensure transparency and ease in communication of project status to those in governance. This system has been through continuous improvement initiatives in the last year. It is acknowledged that feedback on the system and requests for changes can be made formally at any time via the IT help desk, "PMO Improvement Requests" form.

Through stakeholder discussions and review of documentation it was observed that:

- Inconsistent use of the PSRT between Project Managers:** There was a difference in the level of detail captured in the PSRT between the two projects sampled, including a significant number of gaps in the data captured in the Wyatt Street Project PSRT page, compared to Paxton Street which is summarised below:

	Paxton	Wyatt
Executive Summary entered	Yes	Yes
Milestones entered	Yes	Partially
Practical Completion Date entered	Yes	Yes
Risks captured	Yes	Partially
Documentation from TRIM linked	Yes	No
Contains up to date budget forecasts	Yes	No
Change Requests	Yes	Not Applicable

Through discussions with Project Managers it was advised that there is a lack of clarity on the requirements to use the system. As a result, Project Managers are inconsistently capturing details in the PSRT based on their discretion. For example, where projects are more complex, or require external reporting (i.e., for projects funded by grants, like Paxton Street) more detail is captured in the system. However, less is captured for smaller projects (like Wyatt Street) due to the time commitment to update all of the data.

There is an opportunity to clarify the level of detail required to be captured in the system, for different risk/value projects.

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Recommendation(s):

It is recommended the CoA:

- Improve clarity of requirements to enter information into PSRT:
 - Clarify the level of detail required to be captured in the system, for different risk/value projects. See Finding 2.
 - Document the requirements for Project Managers to utilise the PSRT in the PMO Framework, PMO guidance document and intranet.
- Enforce consistent use through top-down driven accountability:
 - The PMO to utilise exception reporting to send out periodic emails to Team Leaders as a reminder to ensure Project Managers keep the PSRT up-to-date with current milestones.
 - Communicate and re-enforced with internal stakeholders engaging on the projects, to utilise the PSRT as the source of truth for the status of projects.

It is acknowledged that due to the current pressures and the limited capacity of Project Managers whilst delivering the FY2024 program of works, additional support and resources may be required to assist Project Managers to learn to utilise the PSRT system.

Agreed Management actions:

- See Finding 2 recommendation 1(a) Management comments.
- E-learning material will be developed for PM's to recap on how to use the PSRT, raise CRs, complete project briefs and utilise available reports. These will be available to staff via the PMO Oscar page and are in addition to the information already on the site, one-on-one induction training, PMO News and IDT monthly updates.

Responsibility:

- Manager Strategy, Insights & Performance
- Manager Strategy, Insights & Performance and Associate Director Infrastructure

Target Date:

- 30 June 2025
- 31 December 2025

**Finding 3 – Further clarity and accountability required to support the uptake of the Project Status Reporting Tool****Low****Finding(s):***(Continued from the previous page)*

- **Gaps in PMO guidance:** Currently PMO guidance does not capture the use of the PSRT system. For example, it was noted that the Wyatt Street Project did not link key project documents from TRIM to the PSRT as part of closing out the project. However, this is not listed as a step within the close phase of the PMO Framework.
- **Opportunity to further utilise exception reporting:** Whilst exception reporting is available, there is an opportunity for this to be further leveraged by the PMO and Team leaders to drive accountability in meeting requirements to keep PSRT data up-to-date.

It is acknowledged that the Project Management team are currently under increased pressure to deliver the current \$100m of works scheduled for FY2024, compared to \$57m spent in FY2023, see Page 5. As such, there is limited capacity amongst the Project Managers. However, it was confirmed in consultation with the Manager Infrastructure Delivery, that the implementation of the system is a priority of the team.

As stated above, the PMO system is in a state of continuous improvement to enable an increase in transparency and capture of data on projects managed by CoA. However, further clarity and re-enforced accountability is required to support the uptake of the system and improve data quality.

Risk(s):

Without sufficient clarity and accountability to drive the consistent use of the PSRT there is a risk that:

- Data relied upon from the system is not complete or accurate.
- Project Manager time is used inefficiently captured data in the system that is not useful (i.e., on low risk and low value projects).
- There is inconsistent uptake of the PSRT system across CoA, and benefits of the system are not realised.

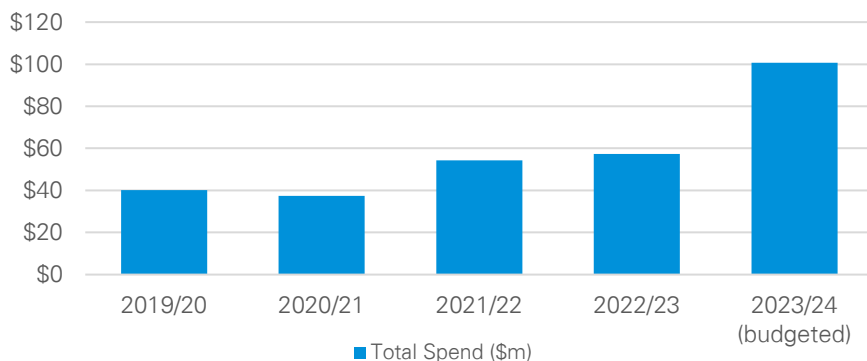
PIO 1 – Opportunity to holistically consider the CoA’s capital works at a portfolio level

Observation(s):

There is an opportunity to take a more holistic approach to the consideration of the CoA’s budget planning at a portfolio level.

The project’s selected as samples for the internal audit have demonstrated that the CoA are delivering projects in line with the expectations provided by the PMO. It is recognised however, that the sampling approach does not provide a holistic picture of the fragmented nature of the CoA capital delivery portfolio, which includes a large amount of small projects. The high number of small projects limits the opportunity for economies of scale with delivery likely to remain labour intensive. The existing system is functioning well and the PMO is an important enabler, however continuing fragmentation and growth in the portfolio size will likely strain the CoA’s ability to deliver infrastructure in-line with the Council’s aims/budgets. Managing this growth will require a considered portfolio delivery strategy, potentially encompassing or supplementing existing PM resources with contractors and outsourcing key programs of work.

It is acknowledged that the review of the process to develop and approve project budgets at the portfolio level, including consideration of project carryovers, was not within the scope of this Internal Audit. However, our review noted a significant increase in the capital works program compared to prior years, presenting a further opportunity for the CoA to consider the overall capacity of the Project Management team to execute on the approved Capital Delivery Program. The current budget for capital projects for FY24 is \$100.7m, which is \$53.4m higher than the average spend for the last four (4) years, being \$47.3m. It is understood that approximately \$30m across 33 projects was carried forward to FY24 from FY23. This includes one (1) project for the Central Market Arcade Redevelopment budgeted for \$15m. The value of projects delivered over the last four (4) financial years and the spend budgeted for FY24 is provided in the below figure.



(Continued on the following page)

PIO

Recommendation(s):

It is recommended the CoA review its framework for the management of project carryovers and the development of the annual portfolio budgets, including:

1. High-level analysis of resources in the broader context of managing the past and future delivery of the capital works program, including consideration of the existing workforce capacity.
2. Project planning, program planning and prioritisation processes in place to minimise the level of project carryovers.
3. Project budgeting and scheduling processes for multi-year projects.
4. The categorisation and reporting of project carryovers.

Agreed Management actions:

1. Resourcing review is on track for completion by the end of June 2024. Implementation of recommendations from the review will be dependent upon a number of considerations including but not limited to Business Plan & Budget process and CEO direction. A timeframe cannot be provided at this stage.
- 2-4. The Infrastructure Team will have reviewed and updated all existing asset management plans by 30 June 2024. The outcome of the Asset review is a 10-year asset management plan that will be utilised to inform the LTFFP for the next 10 years. These plans are then utilised to prioritise works in the next ABP&B and capital program moving forward. This is an existing process that will continue moving forward. At present, Fleet and Equipment and IM do not have asset management plans and hence their programs are driven from the LTFFP budget allocation. The Stormwater Management Plan updates are underway and is to be delivered in the next 2-3 years.

Responsibility:

1. Associate Director Infrastructure
- 2-4. Associate Director Infrastructure

Target Date:

1. 30 September 2024
- 2-4. 31 December 2026

**PIO 1 – Opportunity to holistically consider the CoA’s capital works at a portfolio level****PIO****Observation(s):***(Continued from the previous page)*

Changes in staff FTEs over the last three (3) years has been outlined below. This demonstrates that the projected budget spend for 2023/34 has increased by approximately 102% since 2021/22, whereas FTEs have increased by 40%.

Year	2021/22	2022/23	2023/24
Team Leader	1	2	2
Project Manager	6.6	4.8	5.8
Coordinator	-	2	-*
Construction Supervisor (fixed term)	3	2	2
Project Managers (fixed term)	-	5	5
Total	10.6 (no temp staff)	15.8 (2 temp staff)	14.8 (5 temp staff)

**In 2023/24 the Coordinator role moved to Project Manager role, other Coordinator role was for a 1-year fixed term.*

It is recognised that through the Project Status Reporting Tool (PSRT) data on capacity of Project Managers and Designers is captured in the Management Report “Timesheet – Employee Summary”.



PIO 2 – Opportunity to provide a standard external stakeholder management template

Observation(s):

There is an opportunity to provide standard templates for tracking external stakeholder engagement with community members for Project Managers.

It was advised in relation to the two (2) projects sampled that whilst evidence related to external stakeholder feedback was retained, this was not tracked in a log.

Better practice would see external stakeholder communications and feedback, including any resulting actions, documented in a stakeholder engagement tracker with the supporting documentation.

Recommendation(s):

It is recommended the CoA implement a standard template for logging external stakeholder feedback and any actions be created and saved to TRIM with supporting information.

PIO

Agreed Management actions:

A stakeholder engagement register recently been formed and actioned through the community engagement plan, example is the NS Bikeways project. This will be rolled out across future projects. The register will be applied to projects with close community interface or where there is material impact. It will include details of the project information shared and any issues, expectations or follow-up required. This information / register will be located in TRIM.

Responsibility: Associate Director Infrastructure

Target Date: 31 December 2024

Appendices

Appendices

1. Project Profiling	19
2. Scope and Approach	20
3. Stakeholders Consulted	21
4. Classification of Internal Audit Findings	22
5. Disclaimers	24

Appendix 1 – Project Profiling

A project may be profiled based on a criteria of risk and complexity. Examples of risk and complexity criteria are outlined below. Certain projects may automatically be considered as a “Major” project, e.g. projects raised via a Motion on Notice, or where a Funding Deed is agreed with the State Government.

Risks

- Is there high public exposure or media interest.
- Is there strong political interest or a high-level of legal risk.
- It is repeatable work which the CoA has a history of undertaking.
- Are there likely to be any significantly high safety or environmental risks.

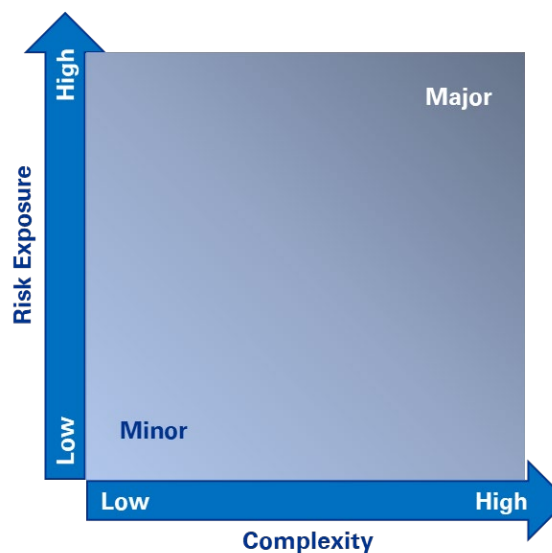
Complexity

- Are there a high number of stakeholders or multiple portfolios involved.
- Are costs difficult to estimate due to unknown circumstances in scope or conditions.
- Is the project dependant on other outcomes (e.g. funding commitments).
- Are there land access issues.

Profiling

Each of the risks and complexities identified may be considered on a qualitative basis to guide project governance. Once the project has initially been profiled by a Project Manager the classification should be endorsed by the PCG.

	HL	HM	HH
	ML	MM	MH
	LL	LM	LH
	Minor		Major





Appendix 2 – Scope and Approach

Scope

The objective of this internal audit included consideration over the following specific areas:

- Governance structures in relation to project management, including the role of the CoA's Project Management Office (PMO), decision making processes, and consideration of relevant monitoring and reporting mechanisms to applicable stakeholders as outlined in the grant requirements.
- Performing a high-level review of project activities associated with the scope, quality and cost management, including procurement, resourcing, scheduling, budgeting, variation management and project decision gateway and approval processes.
- Budget management and Variation management process, including review and approvals of both time and budget.
- Project and change management considerations including project risk management and issues identification and assessment process.
- Project management training provided to relevant staff.
- Project management roles, responsibilities, including contingency management and accountabilities throughout each phase of the project lifecycle, including how key project information is recorded and communicated where accountabilities change.
- Processes of project closure and handover of deliverables, including financial closure, post-implementation review and contractor performance review.

Approach

This engagement was performed using the following approach:

- A review of all relevant documentation and systems that related to project management methodologies and processes including selected guidelines, templates and tools, including the review of CoA's Project Management Framework.
- Engaged in multiple consults with the relevant stakeholders identified by CoA to gain a deeper understanding of the current approaches and processes that were in place for project management.
- Sample testing of the two projects selected (Wyatt Street Lift and Paxton's Walk & Vaughan Place) to assess the application and compliance with CoA's project management methodology and process.
- The review of monitoring and reporting activities of relevant governing committees, Project Sponsor's and other key stakeholders allowing for the assessment of the ongoing reporting of project activities and relevant issues escalation processes.
- Close-out meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.
- The drafting and finalisation of the internal audit reporting which outlines the internal audit findings, recommendations and any performance improvement opportunities that were noted.

Appendix 3 – Stakeholders Consulted

The table below outlines all personnel who were involved in discussions and contributed to the outputs of this engagement.



Personnel	Role
Mark Goudge	Associate Director Infrastructure
Bree Goodchild	Manager Strategy, Insights and Performance
Anthony Spartalis	Manager, Finance and Procurement
Geoff Register	Manager Infrastructure Delivery
Michelle Arbon	Team Leader, Project Management Office
Chris Liedig	Team Leader, Project Delivery
Stephanie Chen	Project Manager Infrastructure Delivery
Ashleigh Wilkes	Project Manager Infrastructure Delivery

Appendix 4 – Classification of Internal Audit Findings

The following framework for internal audit ratings has been developed and agreed with the CoA’s Management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in reports will be discussed and rated with the CoA’s Management.

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 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 4 – Classification of Internal Audit Findings (continued)

<p>Moderate</p>	<p>Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives.</p>	<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 CoA Director and/or Associate Director attention. • Requires short-term management action.
<p>Low</p>	<p>Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.</p>	<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 5 – Disclaimers

Inherent Limitations

This report has been prepared as outlined in the Executive Summary of this report. The services provided in connection with the engagement comprise an advisory engagement which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance will be 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 a 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. We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, City of Adelaide's management and personnel. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with City of Adelaide. The internal audit findings expressed in this report have been formed on the above basis.

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