

# Contract Management Internal Audit - KPMG

**Friday, 8 November 2024**

Audit and Risk Committee

Strategic Alignment - Our Corporation

**Program Contact:**

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Public

**Approving Officer:**

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## EXECUTIVE SUMMARY

In accordance with the 2023-24 Internal Audit Plan for the City of Adelaide (CoA), an internal audit was performed to review CoA's overarching contract management framework with a specific focus on the post-contract award process.

This audit aligns with the Strategic Risk – Financial Sustainability: Failure to plan for and manage Council's finances.

The internal audit identified seven findings. Four are risk-rated Moderate and two are risk-rated Low. One Improvement Opportunity was identified.

The Internal Audit Plan has been developed in consideration of Council's key strategic risks and critical priorities.

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

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## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE

1. Notes the Contract Management Internal Audit report provided as Attachment A to Item 6.1 on the Agenda for the meeting of the Audit and Risk Committee held on 8 November 2024.
  2. Endorses the response of the Administration to the Contract Management Internal Audit report as outlined in Attachment A to Item 6.1 on the Agenda for the meeting of the Audit and Risk Committee held on 8 November 2024.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	<b>Strategic Alignment – Our Corporation</b> Internal Audit is an essential component of a good governance framework. It enables Council to ensure it is performing its function legally, effectively and efficiently.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Internal audit is an essential component of a good governance framework. It is the mechanism which enables Council to receive assurance that internal controls and risk management approaches are effective, that it is performing its functions legally, and effectively, and to advise how it can improve performance.
Opportunities	Internal audit focuses largely on compliance, risk management and improvement opportunities. As such audits suggest a range of improvement opportunities related to the area being reviewed, enhancing functions and services and aligning Council processes to best practice standards.
24/25 Budget Allocation	\$250,000 is budgeted for external consultancy support as required by the 2024/25 internal audit program. The KPMG report (Attachment A) cost \$25,000, from the 2023/24 budget.
Proposed 25/26 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
24/25 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

# DISCUSSION

## Background

1. The Contract Management Internal Audit was performed by KPMG, in accordance with the 2023-24 Internal Audit Plan.

## Report

2. This audit aligns with the City of Adelaide (CoA) Strategic Risk – Financial Sustainability: Failure to plan for and manage Council’s finances.
3. The Contract Management Internal Audit focused on the review of the CoA’s overarching contract management framework with a specific focus on the post-contract award process.
4. The objective of the Contract Management Internal Audit included the following:
  - 4.1. Governance, resources and clarity of roles and responsibilities in relation to contract management.
  - 4.2. Systems and processes in place to support management, including robustness of records management.
  - 4.3. Risk management processes to ensure key contract risks are identified and monitored.
  - 4.4. Financial management and oversight, including verification of contract expenditure, and financial monitoring and reporting.
  - 4.5. Documentation and authorisation requirements of contract variations and extensions.
  - 4.6. Compliance monitoring of contract obligations, commitments, and service requirements.
  - 4.7. Relationship management, including escalation and resolution management over non-compliance and disputes.
  - 4.8. Management of contract performance, including management of contract variations, achievements of Key Performance Indicators and the ability of the contractor to meet the terms of the contractual arrangements.
5. The findings of the internal audit are indexed into the following risk ratings:

Finding	Risk Rating
Limited contract risk management and profile consideration	Moderate
Clarity of contract management roles and responsibilities across the CoA	Moderate
Gaps in training provided to Contract Managers	Moderate
Gaps in contract management guidelines and governance	Moderate
Inconsistencies identified in the records management of contracts	Low
Inconsistent oversight and monitoring of contracts	Low
Opportunity for uplift of utilisation of supporting system	Improvement Opportunity

6. Administration has considered the findings and provided actions and time frames to address these findings (outlined in the findings section of KPMG’s Contract Management Internal Audit report, Attachment A).
7. Management action 1 to Finding 2 of the Contract Management Internal Audit report with a due date of 30 September 2024 has now been completed.

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# ATTACHMENTS

**Attachment A** – Contract Management Internal Audit