

# Fraud Prevention Internal Audit - KPMG

Wednesday, 11 December 2024

Audit and Risk Committee

Strategic Alignment - Our Corporation

**Program Contact:**

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Public

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## EXECUTIVE SUMMARY

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

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

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

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

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

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## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE

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

City of Adelaide 2024-2028 Strategic Plan	<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 on compliance, risk management and improvement opportunities. Audits suggest a range of improvement opportunities related to the area being reviewed, enhancing functions and services and aligning Council processes to best practice standards.
24/25 Budget Allocation	\$250,000 is budgeted for external consultancy support as required by the 2024/25 internal audit program.
Proposed 25/26 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
24/25 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

# DISCUSSION

## Background

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

## Report

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

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

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

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# ATTACHMENTS

**Attachment A** – Fraud Prevention Framework Internal Audit Report

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