

Lease Management Internal Audit

Wednesday, 11 December 2024

Audit and Risk Committee

Strategic Alignment - Our Corporation

Program Contact:

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Public

Approving Officer:

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EXECUTIVE SUMMARY

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

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

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

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

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

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

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

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

DISCUSSION

Background

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

Report

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

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

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

ATTACHMENT

Attachment A – Lease Management Internal Audit

- END OF REPORT -