

INTERNAL AUDIT REPORT: LEASE MANAGEMENT

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1. EXECUTIVE SUMMARY

In accordance with the 2023-24 Internal Audit Plan for the City of Adelaide (CoA), an internal audit focussing on the Council's lease management framework was performed. The objective, scope, approach, and findings are outlined below.

2. OBJECTIVES

This internal audit project covered six key elements:

- Processes in place in relation to lease management including entering into the leases, lease terminations and managing ongoing lease arrangements:
 - Annual reviews (including rent review)
 - Site inspections
 - Consideration of any sub-lease arrangements
 - Processes in regard to regulatory enforcement
 - On charging of costs to tenants
 - Debt management
 - Property maintenance
 - Accounting treatment for the leases
- Review of transitioning of tenants onto new leases in line with the leasing policy for community leases
- Assessment of governance structures to facilitate fair and equitable decision-making for tenants (including third-party contractors/panels)
- Processes in place for determining rental assessments of a lease and how this is implemented
- Community vs commercial leases
- Processes in place for properties that Council lease

This review is included in the 2023-24 Internal Audit Plan to assure the CoA Executive Team, the Executive Strategic Risk and Internal Audit Group (SRIA), and the CoA Audit and Risk Committee (ARC).

3. SCOPE

This audit has assessed the overall lease management framework.

3.1 Scope Topics

The eight main audit areas are:

- **Governance Framework** – are there relevant policies/procedures and guidelines in relation to lease management in place for community and commercial leases? Are we adhering to legislative requirements? How do we transition tenants onto new leases in line with current policies? What processes are in place for sub-letting of leases of tenancies?
- **Roles and Responsibilities** – what is the overall organisation structure, resources, roles and responsibilities? What is our role and responsibility as the lessor to the tenants? What is the role and responsibility of the tenants? Is the relationship between various programs (i.e. Facilities and leasing teams) functioning well?

- **Valuations** – what are our current processes for determining rental assessments for commercial leases? How do we apply these to community leases? How does this compare to market trends? Do we use vendor panels?
- **Financial reporting** – how do we account for the lease vs should we be accounting for it?
- **Facilities Management / Maintenance** – what processes are involved in scoping, scheduling, completing and auditing for proactive and reactive facilities maintenance? Are maintenance schedules maintained and if not, what risk exposure does this pose to Council? Are service levels set in line with lease obligations by the Asset Management team and how are these tracked and executed?
- **Community vs Commercial** – is the terminology for identifying types of leasing appropriate?
- **Properties Council lease** – what processes are in place for properties that Council lease? Are these processes documented and followed?
- **Systems** – what systems are used to manage lease management and debt collection? Who has oversight of lease management and debt collection?

3.2 Timeframes

- The scope was developed and approved by SRIA on 21 March 2024. The audit began in April 2024.
- Consultation and meetings with relevant stakeholders occurred from April to July 2024 to gather and source information.
- Meetings with action owners and report finalisation occurred in August 2024.
- The report will be presented to SRIA in September 2024.
- The final report will be presented to the ARC in December 2024.

4. METHODOLOGY

The audit focused on the lease management framework and processes against the following guidelines and procedures:

- Adelaide Park Lands Leasing and Licensing Policy
- Adelaide Park Lands Leasing and Licensing Operating Guideline

The engagement was performed using the following approach:

- CoA staff member Annette Pianezzola, Risk and Audit Analyst performed the audit.
- One-on-one discussions with relevant CoA programs:
 - City Culture
 - Strategic Property & Commercial
 - Finance & Procurement
 - City Operations
 - Infrastructure
- Review relevant documentation associated with the lease management process, including agreements between lessors and lessees.
- Review of roles and responsibilities, including if community leases that are structured commercially are located in the relevant team.
- Review of lease renewal processes and rental assessments.
- Review of maintenance requests, proactive or reactive.
- Review of accounting treatment of leases.
- Review of the management of the properties Council lease.
- Identification of any performance improvement opportunities.

5. BACKGROUND

5.1 Commercial or Community

The properties that the City of Adelaide (the lessor) leases are classified as Commercial or Community. Commercial properties are defined as properties within the city, including North Adelaide, that are not within the Park Lands and are based on commercial, corporate, or residential uses. A commercial lease will generate income. Community properties are those situated in the Park Lands, and these can be a combination of community recreational facilities or commercial buildings such as hospitality. A community lease will generate a community outcome. However, there are commercial properties that are within the Park Lands under this portfolio, that hold a commercial outcome.

The Strategic Property and Commercial program within the City Services Portfolio at CoA manages the commercial properties. The Strategic Property Management team manages 93 leased properties, including a corporate and residential component. In addition, the program manages eight properties in which CoA are the lessee.

The City Culture program within the City Shaping Portfolio at the CoA manages the community properties. The Community Lifestyle team manages 69 community-defined leases, which also include commercial leases.

Both the Strategic Property Management and Community Lifestyle teams seek independent market valuations for all commercial leases.

6. FINDINGS

The number of findings identified during the audit is shown in the table below.

The Summary of Findings section of the report contains a complete list of the identified findings and agreed-upon management actions. Risk ratings are listed in Appendix 1.

Findings	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

7. CONSULTATION

The following CoA stakeholders were involved in meetings throughout this audit:

- Shaun Coulls, Manager Commercial & Property Leasing
- Jennifer Kalionis, Associate Director City Culture
- Nicole Van Berkel, Acting Manager Finance & Procurement
- Corna Kotze, Senior Advisor Corporate & Commercial Property
- Sue Fox, Commercial Contracts & Leasing Coordinator
- Rebecka Newland, Property Officer
- Lori Hunt, Property Officer
- Judith Mulconray, Licensing Leasing & Project Coordinator
- Carmel Boffa, Accounts Receivable Officer
- Danielle Pedler, Financial and Capital Accountant
- Gina Borg, Finance Business Partner
- Alex Santo, Finance Business Partner
- Lyndee Payne, Finance Analyst
- Jamie Stefanato, Community Facilities Coordinator
- Jacque Opie, Community Leasing Coordinator
- Sarah Wuttke, Asset Manager Building
- Shane Moeller, Work Group Leader Facilities Maintenance
- Aaron Brewer, Technical Officer Facilities Maintenance

8. SUMMARY OF FINDINGS

Ref #1 Inefficient debtor management	Rating: High
Description of finding	Agreed Actions
<p>Identification: <u>Invoicing:</u> Rent and on-charges (e.g. electricity, outgoings, etc.) are invoiced on a monthly basis. In November 2022, the process of raising an invoice transitioned from Technology One (Council’s enterprise finance system) to Pathway (Council’s enterprise resource planning system, enabling local governments to manage regulatory services, land, property revenue, and customer requests). For each respective area, Community Lifestyle and Strategic Property Management will provide the relevant information such as dollar amount and description to charge to Finance who will reconcile and complete a spreadsheet with the information that is provided. This is then forwarded to Accounts Receivable who will raise the invoice and forward it to the tenant. The reason for the transition from directly sending the information directly to Accounts Receivable as in other areas of the organisation, is due to the fact that errors have occurred and Finance had to rectify the accounts and create credit notes to amend the statements.</p> <p>The payment terms in Pathway are set to 30 days from the 1st of each month. However, some lease agreements have a payment term of 90 days. This causes confusion for the tenant as the invoice due date is not in line with the lease agreement. In addition, as per the <i>Retail and Commercial Leases Act 1995</i>, it is legislated that for on-charges such as electricity supporting documentation must be provided to the tenant if the lessor is to on-charge those costs. Pathway does not allow for supporting documentation to be forwarded along with the invoice.</p> <p><u>Payment of Invoices:</u></p>	<ol style="list-style-type: none"> 1. Finance will investigate with the support of the Information Management team whether read-only access can be given to a debt type (Property) within the debtors module in Pathway. Target Date: December 2024 2. The Accounts Receivable team will lead the scope of work required to configure the generation of credit notes within Pathway and seek external support. Noting budget reconsideration to deliver the work will be required. Target Date: March 2025 3. Statements will be run for a sample of debtors to confirm accuracy. Once confirmed, statements will be issued to Property Debtors. Target Date: March 2025 4. Finance will work with the Community Lifestyle and Strategic Property Management teams to ensure information is reviewed for accuracy and completeness within the teams internally prior to sending to Accounts Receivable to eliminate the double handling and duplication of effort. Target Date: June 2025

<p>When the tenant receives the invoice, payment is made. However, if a payment is made via ePathway the payment will be made against the oldest invoice, not the invoice that the tenant is paying. This is on occasions when no remittance is received to determine which invoice payment it to be allocated to. However, most tenants make payment via EFT and these payments can be allocated to the correct invoice that they are paying as long as they have identified the invoice.</p> <p>Statements and Credit Notes: <u>Statements are unable to be produced from Pathway</u>, which causes more confusion if there are outstanding invoices. The reason is historical: the inability to apportion journals due to technical issues and incorrectly allocated payments. This has recently been rectified. However, manual allocations are still required.</p> <p>Credit note adjustments are generated in Pathway; however, the team currently creates the physical credit note document manually.</p> <p>Additionally, Community Lifestyle and Strategic Property Management maintain the relationship with the tenant so when discussing outstanding invoices, they are unable to determine which invoices are outstanding and which invoices have been paid, as they do not have access to the production system of Pathway to view the debtor module. The Strategic Property Management team are diligent in following up on outstanding arrears, however, the Community Lifestyle team would rely on Accounts Receivable to inform them if payment was not received.</p> <p>In the review of the current process, it has been noted duplication of effort where multiple staff are involved in raising, and monitoring invoices and payments received. Statements cannot be issued to the tenants, to inform them of any outstanding amounts at any given point in time. The respective Community Lifestyle and Strategic Property Management team would be able to monitor the debtor</p>	<p>5. In conjunction with the Technology One Post Implementation Review audit, investigations will be performed to determine the most appropriate system to raise and receipt Property invoices. Target Date: June 2025</p>
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transactions in Technology One and contact the tenant if there were any arrears.

Recommendation:

1. Provide respective teams 'read-only' access to the debtor module in Pathway.
2. Commence sending statements.
3. Consult with Infor to configure the generation of the credit note document directly from Pathway.
4. Train the respective teams to correctly raise invoices directly with Accounts Receivable.
5. Consideration to be given to investigate the potential to use either Technology One, Progenesis or Pathway to raise invoices for the following reasons:
 - Respective teams able to raise invoices (if applicable)
 - Select the correct payment terms
 - Ability to attach supporting documents
 - Monitor outstanding debts
 - Correct allocation of receipting
 - Ability to issue statements

Position Responsible:

Manager Finance & Procurement

Target Date:

As above

<p>Ref #2 No standardised documented procedures</p>	<p>Rating: High</p>
<p>Description of finding</p>	<p>Agreed Actions</p>
<p>Identification: In discussion with the Community Lifestyle team that manages the community-defined properties in the Park Lands, it was noted that there were no documented processes or procedures on, items including (but not limited to):</p> <ul style="list-style-type: none"> • Expression of interest and how this is managed • Lease arrangements • Renewal of leases • Inspections etc <p>Furthermore, in discussion with Strategic Property Management, some processes were documented in Process Manager (the Council’s process management system); however, it appears that not all processes have been documented to ensure that knowledge is retained.</p> <p>Documenting processes and procedures is imperative to ensure that knowledge is not lost. Without documentation, knowledge may not be retained by the organisation.</p> <p>Recommendation:</p> <p>1. Document all processes and procedures in Process Manager for community-defined properties.</p> <p>2. Perform a review of all processes across the portfolio to ensure standardisation. Review and update the current processes in Process Manager and document any that are missing for commercial-defined properties.</p>	<p>1. The Community Lifestyle Team will develop standardised lease and licence templates and operating procedures by December 2025. Responsibility: Associate Director City Culture Target Date: December 2025</p> <p>2. The Strategic Property Management team will create procedures for all lease management processes. Responsibility: Associate Director Strategic Property & Commercial Target Date: June 2025</p>
<p>Position Responsible:</p>	<p>Associate Director City Culture / Associate Director Strategic Property & Commercial</p>
<p>Target Date:</p>	<p>As above</p>

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Ref #3 Potential for misleading accounting for leases	Rating: Moderate
Description of finding	Agreed Actions
<p>Identification: The accounting treatment of leases is stated in the Australian Accounting Standards Board (AASB) 16 which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</p> <p>If CoA controls an asset, the lessee must recognise depreciation of the right-of-use asset and interest on the lease liability and classify cash repayments of the lease liability as financing activities in the statement of cash flows.</p> <p>Similarly, if CoA is the lessor and the lease satisfies the classification criteria of a finance lease (for example, the lease term covers the majority of the useful life of the asset), then the lease will need to be recognised as a finance lease on the balance sheet and the asset disposed of from the asset register as it is no longer considered owned and controlled by CoA.</p> <p>Financial implications of a lease being classified as a finance lease include:</p> <ul style="list-style-type: none"> • If CoA are requested to perform works of a capital nature they would need to be expensed rather than capitalised • If the assets are not adequately maintained CoA may receive a depleted asset at the end of the lease but won't have accounted for the renewal works in their asset management plans, as the asset is not financially recognised on the register. <p>In discussions with Finance, the recognition of leases can be somewhat reactive and is reliant on notification from the businesses, or review of the general ledger. Preferably the accounting treatment</p>	<ol style="list-style-type: none"> 1. As per finding 2, include in the documented processes, requirement to notify Finance prior to execution for leases greater than 12 months. Responsibility: Associate Director City Culture Target Date: December 2025 2. As per finding 2, include in the documented processes, requirement to notify Finance prior to execution for leases greater than 12 months. Responsibility: Associate Director Strategic Property & Commercial Target Date: June 2025 3. Provide read-only access to Progenesis for the Financial & Capital Accountant and relevant finance staff. Responsibility: Associate Director Strategic Property & Commercial Target date: December 2024 4. Investigate the use of the accounting module in Progenesis. Responsibility: Associate Director Strategic Property & Commercial Target date: December 2025

<p>for leases will be reviewed at, or prior to inception so the financial treatment and implications are known from the outset. Without proactive accounting recognition it poses the risks of misstatement in the financial statements or unforeseen accounting adjustments if a lease is not accounted for correctly.</p> <p>Community Lifestyle and Strategic Property Management use software called Progenesis. Progenesis is a lease management software that enables CoA to manage the lease life cycle from beginning to the end, with capabilities that include:</p> <ul style="list-style-type: none"> • Lease, diary and rent review management • Accounts and report management • Budget and forecast • Asset management • Image and document management • Integration with Microsoft Office Suite and CoA financial systems <p>Currently, it is used as a database to hold all information regarding the property and tenant details for both commercial and community leases.</p> <p>Recommendation:</p> <ol style="list-style-type: none"> 1. Develop a process between Strategic Property, Community Lifestyle, and Finance that notifies Finance of new leases so that the accounting treatment can be examined before their inception. 2. Finance are provided read-only access to Progenesis so they have access to the centralised register of all lease agreements (commercial and community), to improve tracking of leases. 3. Investigate the use of the accounting module within Progenesis (further detail under Ref #7). 	
<p>Position Responsible:</p>	<p>Associate Director Strategic Property & Commercial / Associate Director City Culture</p>
<p>Target Date:</p>	<p>As above</p>

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Ref #4 Outdated Policy and Operating Guideline		Rating: Low
Description of finding		Agreed Actions
<p>Identification: The Community Lifestyle team manages the leases in the Park Lands for all community-defined properties. The overarching Adelaide Park Lands Leasing and Licensing Policy and the Adelaide Park Lands Leasing and Licensing Operating Guidelines drive Council decisions about leasing and licensing in the Park Lands on a daily basis. A review of the documents noted that they were due for review in 2018. In consultation with the team, the review and update of these documents are currently underway, having previously been on hold pending the development of the Community Building Policy.</p> <p>The Strategic Property Management team that manages the leases for all commercial-defined properties (non-Park Lands properties) are governed by the <i>Retail and Commercial Leases Act 1995</i>.</p> <p>The risk of not updating the Policy and Operating Guidelines may cause challenges for the Council in upholding any decisions made, particularly enforceable actions that may be undertaken.</p> <p>Recommendation:</p> <p>Finalise the review and update of the Policy and Operating Guidelines for the Park Lands leases.</p>		<p>The Park Lands Leasing and Licensing Policy and Operating Guideline are under review and will be updated and finalised by December 2025.</p> <p>Target Date: December 2025</p>
Position Responsible:	Associate Director City Culture	
Target Date:	As above	

Ref #5 No maintenance completion notification sent	Rating: Low
Description of finding	Agreed Actions
<p>Identification: A maintenance inspection is scheduled either regularly (i.e. annually) or ad-hoc. The need for an annual inspection is assessed at the beginning of the lease term, and once confirmed the respective team, Community Lifestyle or Strategic Property Management teams, will inform the Facilities Maintenance team of the required inspections, such as air conditioning inspections, fire hydrant inspections, etc. Each respective team will conduct regular inspections of the CoA-owned buildings, leased properties as per the lease terms and conditions. The Community Lifestyle team will perform a walkthrough of the property with a Technical Officer in the Facilities Maintenance Office and complete a checklist which is then stored in Content Manager (Council's records management system). The Strategic Property Management team will perform their own walkthrough of the property and complete a checklist.</p> <p>If any ad-hoc maintenance is required which is the responsibility of CoA, a request is sent to the Facilities Maintenance Office via the property@cityofadelaide.com.au email address. The Facilities Maintenance (Technical Officers) team will receive that email and submit a work order in Assetic (the Council's asset management system) and this will be assigned either to an internal staff member or a contractor to action the request. Once the maintenance has been actioned, the work order will be completed in Assetic. The Technical Officers can see the completed work orders in Assetic. If an external contractor has completed the work, these details will be captured in Assetic. However, there is no notification back to either the Community Lifestyle or Strategic Property Management team that the maintenance request has been actioned. Previously, a software called Fresh Desk was used to manage internal work order requests through the Facilities Maintenance Office. Once an internal request</p>	<ol style="list-style-type: none"> 1. Infrastructure will investigate the opportunity to implement automatic notifications with the contractor to see if they have this already implemented in other councils. Responsibility: Associate Director Infrastructure Target Date: June 2025 2. In the interim, the Facilities Management team will utilise the property email inbox to manually monitor and reply back to stakeholders when jobs are being assigned a work order, or when jobs are completed. Discussions are also underway with Information Management to reinstate Fresh Desk. Responsibility: Associate Director City Operations Target Date: November 2024

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<p>was submitted, the staff member was able to track and receive updates on the request and when the maintenance request was completed, the staff member would receive a notification of the completed maintenance request. With the new Assetic system, the communication loop does not get closed, and no notifications are sent to the originator of the maintenance request.</p> <p>In discussion with the Facilities Maintenance Office, the AM2 project is to resolve the non-notification issue.</p> <p>Recommendation:</p> <ol style="list-style-type: none">1. Investigate the opportunity to implement automatic notifications for completed works orders on maintenance requests as part of the AM2 project.2. In the interim implement a notification system to inform the Community Lifestyle and Strategic Property teams when maintenance requests have been completed.	
Position Responsible:	Associate Director City Operations / Associate Director Infrastructure
Target Date:	As above

Ref #6 Undertake a broader review of property management	Rating: Low
Description of finding	Agreed Actions
<p>Identification: Leases at CoA are managed based on their definition. Commercial leases apply to properties in the CBD and North Adelaide (not including the Park Lands), whereas community leases apply to properties located in the Park Lands.</p> <p>The Strategic Property Management team manage the commercial leases which have a commercial outcome, while Community Lifestyle manages the community leases which have a community outcome. Within the community leases, there are commercial-defined leases. A commercial-defined lease is defined as an agreement between the lessor (CoA) and lessee (tenant) allowing the use of a commercial property for business purposes in exchange for rent. Within the Park Lands, there are a number of leases that are actually defined as commercial such as restaurants and cafes. These leases are not governed by the <i>Retail and Commercial Leases Act 1995</i>, as in December 2011, CoA sought an exemption from the Minister for these leases to be exempt. However, the team are still able to include the requirements from the <i>Retail and Commercial Leases Act 1995</i> (the Act) in the lease agreements if they deem them to be relevant but it is not legislated that they must do so. In consultation with the Community Lifestyle team, they do not reference the Act, however some clauses are similar. In addition, there are a number of leases within the Park Lands that are solely community-defined leases such as sporting and recreation groups which are governed by the internal Adelaide Park Lands Leasing and the Licensing Policy and Adelaide Park Lands Leasing and Licensing Operating Guideline.</p> <p>Commercial leases are drafted individually by a legal representative in conjunction with CoA and the tenant. All commercial lease rent should be reviewed once the lease has expired and</p>	<ol style="list-style-type: none"> 1. In consultation with City Culture, undertake a review of lease management as a whole including commercial and community leases to ensure that the desired outcome is achieved for Council by submitting a budget bid for 2025/26. The intention is to commence this review in the first half of 2025/26 and potentially engage a consultant to complete the review. Target Date: December 2025 2. Develop an overarching lease management guideline to ensure a consistent approach is applied to all leases whether CoA is the lessor or lessee. Target Date: December 2025

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compared to the current market. The Strategic Property Management team reviews all leases when there is a new lease agreement in place or when dealing with a market review as a review method prescribed in the lease with an external consultant to ensure current market values are used, as this will provide a guide for future tenancy vacancies. The Community Lifestyle will use a similar approach and factor market valuations and Consumer Price Index (CPI) into new lease.

In essence, there are 2 types of leases with clearly different outcomes:

- Commercial - business
- Community – sporting and recreation

Further investigation is sought to consider whether the current structure is suitable. The Strategic Property Management team has the resources and expertise to manage ‘commercial-defined’ leases, while the Community Lifestyle team has a connection to the community to manage community-based leases. A holistic review of the broader property management function is essential to ensure the required outcomes are achieved by the relevant areas. In addition, an overarching lease management guideline will strengthen the desired outcome to consistency across the two categories of lease types.

Recommendation:

Consideration is to be given to performing a broader review of property management (including governance and function) and of where lease management sits within the organisation.

Along with this review of property / lease management, develop an overarching guideline on lease management that will ensure a consistent approach is applied to all lease management for Council owned properties or properties the Council lease themselves.

Position Responsible:

Associate Director Strategic Property & Commercial

Target Date:

As above

Ref #7 Opportunity to utilise in-house expertise for simple community leases		Rating: Improvement Opportunity
Description of finding		Agreed Actions
<p>Identification: The Community Lifestyle team manage the lease agreements for all leases throughout the Park Lands. Within this portfolio, there are commercial leases (such as restaurants and cafes) and community leases (such as sporting groups and recreational businesses). Each time a new lease is created, or a renewal is drawn up, the team will approach Norman Waterhouse to draw up the contract, no matter what type of lease it is. In discussion with the team, it was noted at times it may take a while to get the document back from Norman Waterhouse. Furthermore, it was identified that there are a number of basic, not complex leases that are drawn up, in particular for the smaller sporting groups and recreational businesses, and these lease agreements are standard, and haven't changed over the years.</p> <p>Each lease reviewed by Norman Waterhouse will cost approximately \$1,500, and the tenant is charged for this. As they are simple, standard lease agreements, using Norman Waterhouse to review them is not necessary. However, it is always good to engage legal advice to review the details of lease agreements to ensure they are applicable and appropriate.</p> <p>Recommendation: Investigate the opportunity to utilise in-house expertise to review lease agreements for new or renewal leases for simple, standard lease agreements. Engage with Governance to determine if the Legal Advisor has the capacity to review the leases going forward, depending on the volume of lease agreements arranged per year.</p>		<p>Following the standardisation of lease and licence templates, the Community Lifestyle Team will trial in-house expertise to review standard lease and licence agreements by December 2025.</p> <p>Target Date: December 2025</p>
Position Responsible:	Associate Director City Culture	
Target Date:	As above	

Ref #8 Opportunity to utilise Progenesis as a full lease management system	Rating: Improvement Opportunity
Description of finding	Agreed Actions
<p>Identification: The Strategic Property Management and Community Lifestyle teams are currently using Progenesis for general record keeping for leases, licences, and agreements.</p> <p>The Strategic Property Management team also uses the system for reminders, tracking, and recording relevant documents required as part of the leasing function such as:</p> <ul style="list-style-type: none"> • Certificate of currencies • Contact details • Bank guarantees • Diary dates • Lease charges • Lease notes <p>However, in consultation with the Strategic Property Management team, it has become apparent that Progenesis is not being used to its fullest capacity, as a full property management system with other capabilities such as, but not limited to:</p> <ul style="list-style-type: none"> • Tenant billing workflow • Budget • Facility Management • Lease options • Lease review • Utility billing • Tenant debtor transactions • On-charge <p>Further, Progenesis has an accounting module that can generate the lease schedules under <i>AASB 16 Leases</i>, automating their financial recognition and improving internal controls.</p>	<ol style="list-style-type: none"> 1. Adelaide Central Market is currently implementing Progenesis across their lease management function and once that has been fully implemented, will investigate the potential to expand the utilisation of Progenesis to use as a full property management system. Target Date: December 2025 2. Consult with Information Management to ensure that the records are maintained according to the <i>Record Management Operating Guideline</i> or considered as a 'system of record'. Target Date: December 2025 3. Once implemented provide training and access to the Community Lifestyle team. Target Date: December 2025 4. Consult with Finance to investigate the opportunity to interface with TechOne so invoicing can be raised in Progenesis. Target Date: December 2025 5. Consult with Finance to investigate utilising the accounting module to automate the accounting for leases under <i>AASB 16</i>. Target Date: December 2025

<p>The benefits of utilising a full property management system will provide a single source of truth for the leasing function. All details, workflows, reminders, record keeping, and correspondence will be stored in one location for all tenants across the CoA portfolios, to be utilised by all teams to undertake any property leasing.</p> <p>In further discussions with the Strategic Property Management team, it has become clear that Progenesis has the capability to interface with TechOne but not at this stage. Once realised, this will be a great opportunity, as Progenesis can be a 'one-stop-shop' for all lease management.</p> <p>Recommendation:</p> <ol style="list-style-type: none"> 1. Investigate the opportunity to expand Progenesis to utilise the system to its fullest potential as a property management system. 2. If utilising Progenesis to its fullest potential, consult with Information Management to ensure that the records are maintained according to the <i>Record Management Operating Guideline</i>. 3. If above action is achievable, provide training and access to the Community Lifestyle team. 4. In conjunction with Finance, investigate the opportunity to interface with TechOne so invoicing can be raised in Progenesis. 5. In conjunction with Finance. investigate utilising the accounting module to automate the accounting for leases under <i>AASB 16</i> 	
Position Responsible:	Associate Director Strategic Property & Commercial
Target Date:	As above

APPENDIX 1: RISK MATRIX OF INTERNAL AUDIT FINDINGS

The following framework for the internal audit ratings is consistent with the CoA Risk Management Operating Guidelines and the Risk Management International Standard ISO31000:2018. The descriptions have been tailored to illustrate risk to the business operations.

CoA Risk Matrix

CoA Risk Matrix		CONSEQUENCE				
		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	Almost Certain	Moderate	High	Extreme	Extreme	Extreme
	Likely	Moderate	High	High	Extreme	Extreme
	Possible	Low	Moderate	High	High	Extreme
	Unlikely	Low	Low	Moderate	Moderate	High
	Rare	Low	Low	Low	Moderate	Moderate

8.3 Risk & Finding Descriptions

Rating	Definition	Action	Indicative Timeframe (variations to be agreed by SRIA)
Extreme	<p>The finding represents a control weakness that could adversely impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> • Extreme decline in quality and customer service leading to a decrease in the community's confidence in the Council • Extreme breakdown in process that leads to illegal activity • Breach of legislation or contractual non-compliance that will result in litigation, prosecution, and penalty 	The finding was reported to the Director immediately, and a response plan was developed with the appropriate Associate Director. Implementation updates and status reporting are managed through Promapp.	Actions are managed in Promapp with a timeframe of at most three months for completion.
High	<p>The finding represents a control weakness that could adversely impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> • Major decline in quality and customer services leading to a decrease in the community's confidence in the Council • Serious breakdown in process that may lead to increased and unacceptable risk • Breach of legislation or contractual non-compliance that will result in litigation, prosecution, and penalty 	The finding was reported to the appropriate Associate Director immediately, and a response plan was developed with the right Manager and managed through Promapp.	Actions are managed in Promapp with a timeframe of at most six months for completion.
Moderate	<p>The finding represents a control weakness that could negatively impact the business and the ability to meet objectives.</p> <ul style="list-style-type: none"> • Medium decline in quality and customer services leading to a decrease in the community's confidence in the Council • Medium operational breakdown in process that may lead to increased and unacceptable risk • Minor breach of legislation or contractual non-compliance that will be unlikely result in litigation, prosecution, and penalty 	Findings are reported to the appropriate Manager through the Internal Audit Report and managed through Promapp.	Actions are managed in Promapp with a timeframe of at most nine months for completion.
Low	<p>The finding represents a minor control weakness that could have or is having a low/ minimal but reportable adverse impact on the business and the ability to meet process objectives.</p> <ul style="list-style-type: none"> • Minimal decline in quality and customer services • Minor breakdown in process that is not likely to affect risk • Minor breach of legislation or contractual non-compliance that will be unlikely result in litigation, prosecution, and penalty 	Findings are reported to the appropriate Manager through the Internal Audit Report and managed through Promapp.	Actions are managed in Promapp with a timeframe of at most 12 months for completion.