

Internal Audit Progress

Friday, 3 February 2023
Audit and Risk Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Manager Governance

Public

Approving Officer:
Amanda McIlroy - Chief
Operating Officer

EXECUTIVE SUMMARY

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

This report provides an update of the Internal Audit Plan (the Plan), findings and recommendations of the internal audits completed, and an update of the Plan of any agreed actions.

The Plan has been developed considering the Council's key strategic risks and critical priorities.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the progress of the Internal Audit Plan
2. Notes the progress of the completion of Internal Audit Actions

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate, and facilitator by maintaining a transparent decision-making process.
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	Not as a result of this report
Opportunities	The Internal Audit program provides assurance to the Audit and Risk Committee on assurance-related activities to meet best practice standards.
21/22 Budget Allocation	\$70,000
Proposed 22/23 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
21/22 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (e.g. maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

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DISCUSSION

Internal Audit

1. The role of Internal Audit is to provide independent assurance that Council’s risk management, governance and internal control processes are operating effectively.
2. The Audit and Risk Committee receive all Internal Audit projects and reviews and monitors management’s responsiveness to findings and recommendations of the Internal Auditors (currently KPMG), and in-house advice.
3. Internal Audit Plan Update
 - 3.1. The Internal Audit Plan is a risk-based program developed with the Executive Team and Strategic Risk and Internal Audit Group (SRIA). A status update on the 2022-2023 plan is provided at [Link 1](#).
 - 3.2. Since the Committee met in October 2022, two internal audits have been completed. These are:
 - 3.2.1. Legislative Compliance
 - 3.2.2. Payment Card Industry (PCI) Compliance
 - 3.2.3. Copies of these reports are provided at [Link 2](#)
 - 3.3. The following internal audits are currently underway and are due to be presented to SRIA at its February 2023 meeting:
 - 3.3.1. Volunteer management
 - 3.3.2. Essential 8 Assessment Report (because of timing issues, this will be presented to the Audit and Risk Committee first)
 - 3.3.3. Asset inspection review
 - 3.4. The following internal audit has been scoped and is in progress, due for completion in February 2023:
 - 3.4.1. Adelaide Central Market Authority Financial Processes
4. Internal Audit Actions
 - 4.1. Recommendations arising from the Internal Audit and Strategic Review are reported to the Strategic Risk and Internal Audit Group (SRIA).
 - 4.2. Recommendations agreed actions, responsibilities, and timeframes for implementation are recorded centrally in Council’s process mapping software, Promapp. The implementation status of recommendations is tracked and reported to the Audit and Risk Committee.
 - 4.3. Any request for an extension of a due date requires the approval of the Chief Executive Officer. This process ensures that there is appropriate accountability before an extension is granted. Since the last Audit and Risk Committee meeting on 28 October 2022, one action has been approved for an extension.
 - 4.4. The action and rationale for an extension are detailed below
 - 4.4.1. I00617 CoA 2021 Risk Evaluation Report (Low Risk) – the agreed audit action is to develop the Disability Access Inclusion Policy (DAIP) that supports the Urban Elements Asset Management Plan (UEAMP). The DAIP could only be developed once the UEAMP was approved, and Council approved the UEAMP on 9 August 2022. This document is currently in progress with the Infrastructure Team and other relevant documentation supporting the UEAMP. The Acting CEO approved an extension till 30 June 2023
 - 4.5. Since the last Internal Audit Progress Update report provided to the Audit and Risk Committee at its meeting on 28 October 2022, 10 internal audit recommendations have been completed, and 23 are in progress. The complete document can be accessed via [Link 3](#).

Risk	Definition	Completed	Overdue	In Progress
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives.	2	2	6

Risk	Definition	Completed	Overdue	In Progress
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives.	4	1	4
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives.	1	1	7
N/A	Improvement Opportunity	3	0	2
	Total	10	4	19

5. Procurement Practices

- 5.1. At its meeting 28 October 2022, the Audit and Risk Committee requested further information on the progress of the Management of Procurement Practices internal audit undertaken in February 2022.
- 5.2. Four of the agreed actions are currently overdue. These all relate to the implementation of the Procurement and Contract Management System (PCMS). Following the procurement internal audit, actions relating to the procurement team were prioritised, and a restructure was undertaken ahead of the agreed timeframe. To complete the remaining actions, a system upgrade is required for the procurement and contract management system. Some actions have progressed with the vendor, however, due to availability of the vendor, the completion of these actions will be deferred until 30 June 2023.
- 5.3. The summary and progress of actions are as follows:

Action Number	Agreed Action	Due Date	Status
1	Develop KPI's against the procurement principles and where possible, use the PCMS to track and report performance	28 Feb 2023	In progress
2	Develop KPI's to measure the performance of the procurement team and then where possible use the PCMS to track and report performance	28 Feb 2023	In progress
3	Retain the risk tiering tool as a mandatory requirement when planning procurement	31 Aug 2022	Completed
4	Update the risk tiering tool to generate more accurate and meaningful assessments	31 Aug 2022	Completed
5	Raise the delegation for business units to conduct their own procurement from \$50k to \$150k and amend the existing procurement policy and guidelines to support this.	31 Aug 2022	Completed
6	Provide sufficient training to implement recommendation I00642 and follow up with routine audits to monitor compliance	30 Sept 2022	Completed
7	Streamline the procurement guidelines that must include a RACI Chart to define roles and responsibilities	31 Aug 2022	Completed
8	Amend the guidelines to support of other recommendations in this report such as the development and role of KPI's in performance management	31 Aug 2022	Completed
9	The Project Manager and Contracts Manager role to remain decentralised across the organisation. External training provider to be sourced to provide education and	30 Nov 2022	Completed

Action Number	Agreed Action	Due Date	Status
	upskill relevant CoA employees to build capability in contracts management skills		
10	Digitisation of the procurement plan into PCMS which maintains current approval authorities via assigned workflows	31 Dec 2022	Overdue
11	Conduct the review 12 months post implementation of performance metrics	29 Feb 2024	Not commenced
12	Utilise the role of the executive to review significant procurement activities prior to Council reporting or decision-making meetings	29 Feb 2024	Completed
14	Reword the Sourcing and Contracts Management Guidelines to include outsourcing options for procurement activities for complex and high-risk projects	30 Nov 2022	Completed
15	For the PCMS to be truly effective, it needs to be used to manage all stages and as many aspects of the procurement cycle as possible	31 Dec 2022	Overdue
16	Undertake a standalone project to optimise the configuration and use of the PCMS across the entire organisation	31 Dec 2022	Overdue
17	Conduct a skills assessment for the purpose of informing development plans for both current and new procurement team members	31 Mar 2022	Completed
18	With the benefit of better reporting, promote the performance, achievements and value add that the procurement team brings to the organisation	31 Dec 2022	Overdue

The complete document can be accessed via [Link 4](#).

DATA AND SUPPORTING INFORMATION

Link 1 – Internal Audit Plan 2022-2023 status update

Link 2 – Completed Audit Reports

Link 3 – Progress agreed actions report

Link 4 – Management of procurement practice actions update

ATTACHMENTS

Nil