



AUDIT AND RISK COMMITTEE

Agenda and Reports

for the meeting on

Friday, 11 April 2025

at 9.00 am

in the Colonel Light Room, Adelaide Town Hall

© 2025 City of Adelaide. All Rights Reserved.

Our Adelaide.
Bold.
Aspirational.
Innovative.

Membership	The Lord Mayor (ex-officio) 1 Council Member 4 External Independent Members 2 Proxy Council Members
Quorum	3
Presiding Member	Nicolle Rantanen Reynolds
Committee Members	The Right Honourable the Lord Mayor, Dr Jane Lomax-Smith (ex-officio) Mark Davies Simon Rodger Councillor Janet Giles <i>1 vacant position</i>

Agenda

Item	Pages
1. Acknowledgement of Country ‘Council acknowledges that we are meeting on traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kaurna people living today. And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.’	
2. Apologies and Leave of Absence Nil	
3. Confirmation of Minutes That the Minutes of the meeting of the Audit and Risk Committee held on 21 February 2025, be taken as read and be confirmed as an accurate record of proceedings. View public 21 February 2025 Minutes here .	
4. Declaration of Conflict of Interest	
5. Presiding Member Reports	

6.	Reports	
6.1	Electric Vehicles Transition for Workshop Operations Internal Audit - KPMG	4 - 36
6.2	Strategic Risk Register - update	37 - 50
6.3	Culture Survey Review Audit - Update	51 - 59
6.4	Penalty and Infringement Compliance Internal Audit	60 - 88
6.5	Treasury Policy, Future Fund and Investment Policy Review	89 - 120
7.	Workshop	
7.1	Update on the 2025/26 Business Plan and Budget	121 - 141
8.	Emerging Key Risks	
9.	Independent Member Discussion	
10.	Other Business	
11.	Exclusion of the Public	142 - 143
	In accordance with sections 90(2),(3) and (7) of the <i>Local Government Act 1999 (SA)</i> the Audit and Risk Committee will consider whether to discuss in confidence the reports contained within section 12 of this Agenda.	
12.	Confidential Item	
12.1	Strategic Risk and Internal Audit Update [S90(3) (i)]	144 - 148
13.	Closure	

Electric Vehicles Transition for Workshop Operations Internal Audit - KPMG

Strategic Alignment - Our Corporation

Public

Friday, 11 April 2025

Audit and Risk Committee

Program Contact:

Rebecca Hayes, Associate

Director Governance & Strategy

Approving Officer:

Anthony Spartalis, Chief

Operating Officer

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 (the 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 assessment of workshop operations and identification of areas that may require adjustment to enable and to support a predominately EV-based fleet by 2030.

The audit best aligns with the Strategic Risk – Assets and Infrastructure Risks: Ineffective asset and infrastructure planning, systems, and programs are insufficient funding available.

The internal audit identified seven findings. Four are risk-rated Moderate and one risk-rated Low. Two Improvement Opportunities were identified.

This report requests that the Audit and Risk Committee note the report and endorse the administration responses.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the Electric Vehicles Transition for Workshop Operations 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 11 April 2025.
 2. Endorses the responses of the Administration to the Electric Vehicles Transition for Workshops Operations 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 11 April 2025.
-

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	The KPMG internal audit report has been presented to SRIA
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 Electric Vehicles Transition for Workshop Operations 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 – Assets and Infrastructure Risks: Ineffective asset and infrastructure planning, systems, and programs are insufficient funding available.
3. The Electric Vehicles Transition for Workshop Operations Internal Audit focused on a high-level assessment of workshop operations and identification of areas that may require adjustment to enable and to support a predominately EV-based fleet by 2030.
4. The objective of the Electric Vehicles Transition for Workshop Operations Internal Audit included the following:
 - 4.1. Understanding of CoA's current resourcing structure for workshop operations and consideration of relevant strategic plans that may impact future resourcing requirements for the workshop.
 - 4.2. Performing a high-level assessment of the following areas of workshop operations, and commenting on adjustments required to support a predominately EV fleet by 2030:
 - 4.2.1. Current staff qualifications and necessary training.
 - 4.2.2. The physical facility's capabilities and modifications needed, including electrical power needs, battery handling and disposal and fire suppression and safety.
 - 4.2.3. Evaluation of support and testing equipment to ensure compatibility with EV requirements.
 - 4.2.4. Review of tasks currently conducted within the workshop to identify potential changes or upgrades.
 - 4.3. The clarity of roles, responsibilities and accountabilities within workshop operations.
 - 4.4. Approval processes and key controls for workshop expenses, including adherence to delegated authorities.
 - 4.5. Conducting a high-level assessment to understand key pain points and opportunities for improvement to workshop operations.
5. The findings of the internal audit are indexed into the following risk ratings:

Finding	Risk Rating
Investment in current workshop capabilities is required to support the transition to EV	Moderate
Further work is required to adequately cost and plan the CoA's EV transition	Moderate
The CoA's workshop policies and procedures will require review and updating to support the EV transition	Moderate
Workshop safety processes require review to ensure sound maintenance practices	Moderate
Data-driven decision making is limited	Low
Scope of workshop activities require strategic review	Improvement Opportunity
Procurement and spending on consumables requires additional transparency	Improvement Opportunity

6. The four moderate findings from the Internal Audit and the agreed management comments are listed below:

Finding 1: Investment in current workshop capabilities is required to support the transition to EV	1, 2 & 3. Work has already commenced in addressing this recommendation. This includes the January talent mapping session, where mapping has commenced on reviewing the skills gaps and structure gaps in the workshop that will allow for a
--	---

	gradual increase in EV upskilled technicians. It is already considered that the transition will need to match the pace of the uptake of EVs – Key team members will be required to undertake additional training (Certificate III in Automotive Electric Vehicle Technology) to be fully qualified. This training is upwards of \$27,000 per person. Careful consideration will need to be given to internal employees that are put through this training. It has already been discussed that any roles becoming available through attrition will be reconsidered as an option to on-board already qualified technicians. Risks exist, current rates of pay are comparatively low when compared to our competitors in the job market.
Finding 2: Further work is required to adequately cost and plan the CoA's EV transition	1. Agree to develop an implementation plan which will guide the CoA's transition to an EV fleet across multiple departments. However, at the time of the development of these actions, the CoA is out to market to assist in the development of an Asset Management Plan for Fleet (AMP) which is a key required input for the implementation plan. 2. The CoA's current approach to funding renewals and upgrades needs to be explored. A determination will need to be made if additional renewal money can be accessed to address the likely funding gap between the cost of internal combustion engines (ICE) and the comparable EV vehicle. This will be addressed in key documents such as the Fleet AMP and the Fixed Asset Accounting Guidelines. This also needs to be considered alongside the overall EV implementation plan and likely staged procurement and gradual transition to an EV fleet
Finding 3: The CoA's workshop policies and procedures will require review and updating to support the EV transition	1. The CoA will undertake a first pass review of all relevant and associated quality documentation. Gaps will be identified that exist which relate to the EV fleet gaps and will be closed with support from key stakeholders, including Work Group Leaders, Health and Safety Representatives, and the Risk Team. Current procurement processes which exist will be reviewed and updated to ensure that there are checks to ensure all relevant documentation is developed prior to acceptance of new fleets into service. 2. The workshop assets will be included within the scope of the Fleet AMP.
Finding 4: Workshop safety processes require review to ensure sound maintenance practices	1. Toolbox meetings will be conducted to provide training and guidance on how to report and escalate any issues that may arise from time to time. This training will include obligations for reporting of incidents and near misses

	2. 2 & 3. Work has commenced on a review of how work flows into, through and out to the team. This includes a review of the current team structure and potential 3-month trial of an additional Leading Hand to provide greater support to technicians with the intent to: • Give a more contemporary staff to leader ratio to improve utilisation of corporate systems such as Assetic. • Improve quality of checks and balances. • Deepen the structure of the team and increase CoA inherent knowledge • Currently, baseline analysis is being undertaken to review current levels and quality of data collection and utilisation of Assetic including utilisation of Preventative Maintenance Schedules and minimum reporting requirements for warranty and reporting purposes. Further, collection of current levels of electronic time-sheeting and understanding current customer satisfaction levels. It is expected that a 3-month trial would see improvements in all metrics being measured, therefore improving quality and safety outcomes in line with this recommendation.
--	---

7. Administration has considered the findings and provided actions and time frames to address these findings (outlined in the findings section of KPMG's Electric Vehicles Transition for Workshop Operations Internal Audit report, **Attachment A**).
8. Management action 1 Finding 4 to the Electric Vehicles Transition for Workshop Operations Internal Audit, which was due on 1 March 2025, has been completed.

ATTACHMENTS

Attachment A – Electric Vehicles Transition for Workshop Operations Internal Audit

- END OF REPORT -

Electric Vehicles Transition for Workshop Operations

Internal Audit Report

The Corporation of the City of Adelaide

—
February 2025

Acknowledgement of Country

KPMG acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past, present, and future as the Traditional Custodians of the land, water and skies of where we work.

At KPMG, our future is one where all Australians are united by a shared, honest, and complete understanding of our past, present, and future. We are committed to making this future a reality. Our story celebrates and acknowledges that the cultures, histories, rights, and voices of Aboriginal and Torres Strait Islander People are heard, understood, respected, and celebrated.

Australia's First Peoples continue to hold distinctive cultural, spiritual, physical and economical relationships with their land, water and skies. We take our obligations to the land and environments in which we operate seriously.

Guided by our purpose to 'Inspire Confidence. Empower Change', we are committed to placing truth-telling, self-determination and cultural safety at the centre of our approach. Driven by our commitment to achieving this, KPMG has implemented mandatory cultural awareness training for all staff as well as our Indigenous Peoples Policy. This sincere and sustained commitment has led to our 2021-2025 Reconciliation Action Plan being acknowledged by Reconciliation Australia as 'Elevate' – our third RAP to receive this highest level of recognition. We continually push ourselves to be more courageous in our actions particularly in advocating for the Uluru Statement from the Heart.

We look forward to making our contribution towards a new future for Aboriginal and Torres Strait Islander peoples so that they can chart a strong future for themselves, their families and communities. We believe we can achieve much more together than we can apart.

Contents

01	Executive Summary	4
02	Background	5
03	Summary of Findings	7
04	Detailed Findings	8
05	Appendices	22

Executive Summary

Background

In accordance with the 2024/2025 Internal Audit Plan for the City of Adelaide (CoA), an internal audit focussing on the CoA's preparedness for the transition to Electric Vehicles (EV), focused on workshop operations, was performed. The objective, scope and approach are outlined below.

Objective

The overall objective of this internal audit included a high-level assessment of workshop operations and identification of areas that may require adjustment to enable and to support a predominately EV-based fleet by 2030.

Scope of services

The scope of this engagement included the following:

- Understanding, at a high level, the CoA's current resourcing structure for workshop operations, and consideration of relevant strategic plans that may impact future resourcing requirements for the workshop.
- Performing a high-level assessment of the following areas of workshop operations, and commenting on adjustments required to support a predominately EV fleet by 2030:
 - Current staff qualifications and necessary training.
 - The physical facility's capabilities and modifications needed, including electrical power needs, battery handling and disposal and fire suppression and safety.
 - Evaluation of support and testing equipment to ensure compatibility with EV requirements.
 - Review of tasks currently conducted within the workshop to identify potential changes or upgrades.
- The clarity of roles, responsibilities and accountabilities within workshop operations.
- Approval processes and key controls for workshop expenses, including adherence to delegated authorities.

- Conducting a high-level assessment to understand key pain points and opportunities for improvement to workshop operations.

Scope exclusions:

- Review of the deployment and operations of an EV fleet.
- The internal audit has considered the workshop updates required for fleet, and did not consider transition requirements for other items of plant.

A detailed list of the scope and approach is included in **Appendix 1**.

Positive Observations

A number of positive observations were identified during the course of this internal audit and are summarised below:

- ✓ CoA personnel are aware of the potential impact on workshop operations resulting from the proposed transition to an EV fleet. Stakeholder meetings also highlighted that personnel have preliminarily identified necessary changes to processes and systems to address the transition.
- ✓ The site inspection carried out by Internal Audit noted that supporting electrical infrastructure is already in place and can be utilised to support an EV fleet.
- ✓ The transition of the EV Fleet will be a key enabler for the CoA to achieve Goal 5: A climate leading capital city, of the Integrated Climate Strategy 2030.

Summary of Findings

The number of findings identified during the course of this internal audit is shown in the table below. A full list of the findings identified, and the recommendations made, is included in the detailed findings of this report. Classification of internal audit findings is detailed in **Appendix 3** to this report.

Critical	High	Moderate	Low	PIO*
-	-	4	1	2

*PIO: Performance Improvement Opportunity

Background

Integrated Climate Strategy

In June 2024, the CoA adopted an Integrated Climate Strategy 2030 which outlines the CoA's desire to halve its climate impact by 2030. To achieve this strategy, the CoA has developed five key goals which outline where the greatest priority in effort is required. These goals include:

1. A climate resilient city
2. A net zero ready city
3. A city where nature thrives
4. Transition to a decarbonised city
5. **A climate leading capital city**

Within Goal 5, the CoA has outlined an objective to transition its corporate fleet to zero emissions by 2030. To achieve this objective, the CoA is preparing to transition its fleet to EV vehicles, machinery and assets. This transition requires a large amount of infrastructure, tooling and documentation, to support the fleet as well as maintain operations for Council ratepayers and stakeholders.

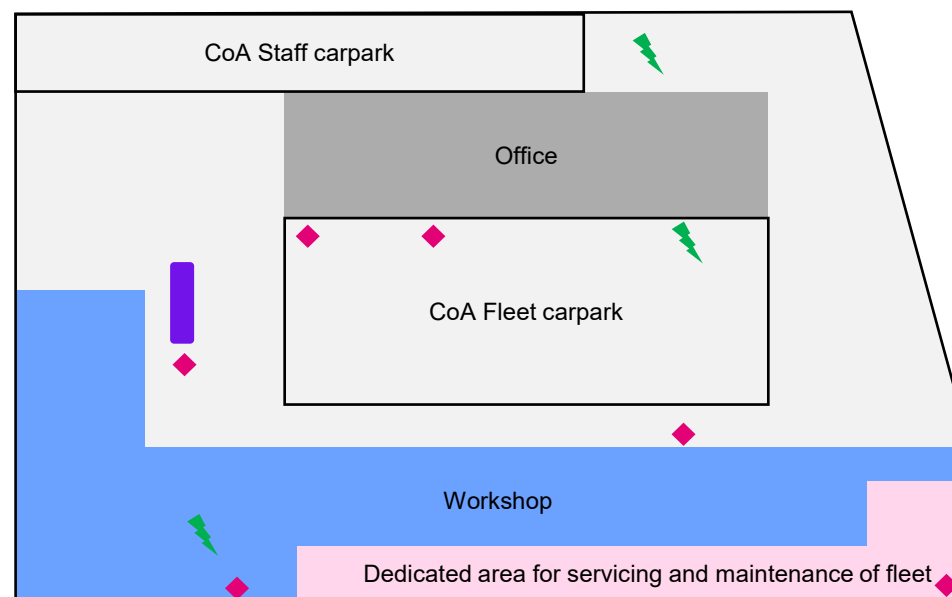
Current Fleet and Workshop

The CoA maintains and owns a large range of vehicles from passenger vehicles to large trucks which can carry over 10 tonnes. The fleet also includes machinery which assists the CoA in completing services for the Council area. The CoA will be required to transition over 70 utility vehicles and 20 trucks to EV in order to achieve Goal 5 of the Integrated Climate Strategy.

As the CoA maintains and services the vast majority of its fleet, this will present challenges in progressing the transition to an EV fleet. As EV fleet and machinery are vastly different to service and operate, chargers, tooling and specific technical expertise are a few of the key areas which will require uplift in the CoA's current workshop operations to facilitate the transition.

Whilst the fleet is a key aspect in achieving Goal 5, the CoA has a large obligation to also maintain services provided to the public throughout this transition. Therefore, it is critical for the CoA to have a well-structured and operational workshop to service and uphold the EV fleet maintenance.

The current workshop has inground fuel tanks which allow the fleet to be refuelled when required. Recently, the CoA has installed three chargers at the London Road Depot, for their current fleet as shown on the diagram below. However, it is noted these chargers are Type 1 chargers and may require updates to be compatible with the future EV fleet.



Note: Please note that the illustration provided is for reference purposes only and may not be 100% accurate

Key: EV Chargers Fire Hydrants In ground fuel tanks

As the CoA currently undertakes nearly all servicing and maintenance within the workshop, adequate fire hydrants and safety must be in place to ensure this work is undertaken safely. Additionally, with the EV fleet to be serviced and maintained within the same dedicated workshop area for maintenances and service, further additions of safety and charging infrastructure will be required to uphold current service regimes. For example, due to the nature of the EV fleet with large batteries, consideration of additional firefighting related infrastructure to mitigate the risk of fires will be needed.

Background

Current Fleet and Workshop (contd.)

When determining the need for additional charging stations within the workshop area for servicing and conducting works on EV assets, factors such as fleet size and growth, charging speed and capacity, electrical infrastructure, safety and compliance, space and layout, monitoring and management, integration with operations, and future-proofing will need to be carefully considered.

Power Supply

The CoA depot is located 2km from the Adelaide CBD and is the primary location for all CoA fleet to park and be maintained. Additionally, this site was previously a foundry, and as a result, the site has a High-Voltage connection which will be of great assistance for charging and maintaining an appropriate amount of power for the EV fleet.

The CoA has also recently engaged an external consultant to provide insights on upgrading the London Road Depot to be energy efficient and reduce carbon emissions. This report provided insights on the potential solar upgrades which the CoA can introduce as well as the potential charging stations which can be installed within the property. One recommendation from this report was for the CoA to introduce 10 (ten) charging stations near the office to provide infrastructure when the CoA eventually have a completely EV fleet.

Structure

The current workshop personnel structure is shown below:



Across this structure there are currently 48 staff members between all levels and designations. However, within the Team Leader, Workgroup Leader and Trades/Workshop Technical Officer level, there are five (5) staff, with the remainder of staff being Mechanics, Welders, Officers, etc.. Furthermore, within the Workshops, there are currently eight (8) mechanics employed by the CoA and two (2) apprentice mechanics.

The current structure contains a range of levels which results in a large range of expertise, roles and responsibilities. The key workshop operations are managed by the Workgroup Leader of Workshops alongside the Leading Hand Mechanic. Currently these two roles are responsible for reviewing incoming maintenance and service requests and then assigning to the relevant mechanic or resource to complete this task.

This process has recently been upgraded through the introduction of an asset management system, Assetic. This system allows work orders to be created on the relevant assets and provides a workflow through to the mechanics or resources completing the service. As this process has only been recently implemented, paper based forms are still being utilised which outline the type of service completed and the time taken.

Importance of an EV transition

The transition to an EV fleet is vital for the CoA in aiding climate mitigation as it substantially reduces greenhouse gas emissions and air pollutants from local transportation activities. This contributes to combating climate change and improves air quality, leading to improved public health outcomes within the community.

By adopting EV, the CoA also sets a precedent for sustainability, inspiring local businesses and residents to follow suit. This shift aligns with broader environmental and climate policies, enabling councils to meet regulatory requirements and achieve set emissions reduction targets.

Summary of Findings

Internal Audit identified four (4) moderate, one (1) low risk-rated findings and two (2) Performance Improvement Opportunities. The details of the findings are provided in the **Detailed Findings** section of this report. These findings have been individually rated as outlined below. The classification of risk ratings in this report are based on the CoA's risk ratings (as shown in **Appendix 3**).



Rating	Ref #	Description
Moderate	F1	Investment in current workshop capabilities is required to support the transition to EV
Moderate	F2	Further work is required to adequately cost and plan the CoA's EV transition
Moderate	F3	The CoA's workshop policies and procedures will require review and updating to support the EV transition
Moderate	F4	Workshop safety processes require review to ensure sound maintenance practices
Low	F5	Data-driven decision making is limited
PIO	PIO 1	Scope of workshop activities require strategic review
PIO	PIO 2	Procurement and spending on consumables requires additional transparency

Detailed Findings

Finding 1: Investment in current workshop capabilities is required to support the transition to EV**Moderate**

Observations	Recommendation(s)	Agreed Management Actions
There has been limited workforce planning to address workforce challenges within the workshops to achieve the CoA's 2030 transition to an all-EV fleet. Specifically, the following areas were highlighted from the internal audit: - Across the ten (10) workshop mechanics, the average age is 52 years old. Investment will be needed to support the transition the mechanics need to make in order to service an all EV fleet by 2030, and what pathways will be available to those approaching retirement age. - Currently, two (2) workshop staff have completed an external training course on Hybrid and Battery Electrical Vehicle Operations which contributes to, but is not inclusive of, the full Certificate III for EVs. Additionally, the CoA has not formally developed a training plan to address the lack of EV related skills within the workforce across the CoA. - The current workshop operations encompass a wide range of activities, from servicing handheld tools to maintaining heavy vehicles. Additionally, a diverse array of assets, each requiring specialised knowledge for effective maintenance and servicing are managed. Stakeholder consultations outlined that CoA workshop staff lack specialised skills for the diverse range of assets maintained and serviced. In addition, there is limited training to uplift specialised skills for the asset types including EV assets. - Stakeholder consultations with workshop Management indicated difficulties in attracting and retaining workshop personnel. It is recognised that in an environment of full employment, it can be difficult for Local Government to match remuneration levels in the private sector. The CoA has attempted to address this through other quality of life measures such as the introduction of a nine (9) day working fortnight. Across Australia, it is recognised that there is an industry wide shortage of EV qualified mechanics and personnel. This may cause additional difficulties in the CoA's ability to attract and retain EV workforce capability. Additionally, it is acknowledged that the workshop workforce may be limited in their capabilities to service and maintain EV assets due to the restrictions placed by the Original Equipment Manufacturers (OEM). <i>Continued on following page.</i>	1. Develop a Skills and Training Plan to ensure relevant CoA staff are appropriately upskilled for current activities and for the transition to EV. This may include providing EV related training to key workshop staff as well as mapping out relevant training schedules. 2. Development of a workforce operations strategy which would include clear roles and responsibilities for staff within the workshop. This should provide workshop staff with an understanding of the type of assets they are to service as well as their general responsibilities.	1, 2 & 3. Work has already commenced in addressing this recommendation. This includes the January talent mapping session, where mapping has commenced on reviewing the skills gaps and structure gaps in the workshop that will allow for a gradual increase in EV upskilled technicians. It is already considered that the transition will need to match the pace of the uptake of EVs – Key team members will be required to undertake additional training (Certificate III in Automotive Electric Vehicle Technology) to be fully qualified. <i>Continued on following page.</i>

Finding 1: Investment in current workshop capabilities is required to support the transition to EV (contd.)**Moderate**

Observations	Recommendation(s)	Agreed Management Actions
<i>Continued from previous page.</i> Risk(s) - Without the necessary workforce skills and capability, the CoA may struggle to maintain its EV fleet effectively. This could lead to increased maintenance costs, reduced vehicle reliability, and a higher frequency of breakdowns. - Inadequate skills within the workforce could result in prolonged vehicle downtime. This would not only affect the operational efficiency of the CoA but also potentially disrupt services that rely on the availability of these vehicles. - Inefficient maintenance and operation of EVs could undermine the environmental benefits of transitioning to EV. This could result in higher emissions and reduced progress towards goal 5 of the Integrated Climate Strategy. - As experienced workers retire, there is a risk of losing valuable institutional knowledge and expertise. Without a skilled workforce to fill these gaps, the workshop may struggle to maintain the same level of quality and productivity.	3. The CoA to consider including EV skills in the CoA's workforce planning plans and/or strategies. This may also involve inclusion of workshop staff on succession plans as well as mapping out key skill/capability requirements for future EV tasks.	<i>Continued from previous page.</i> This training is upwards of \$27,000 per person. Careful consideration will need to be given to internal employees that are put through this training. It has already been discussed that any roles becoming available through attrition will be re-considered as an option to on-board already qualified technicians. Risks exist, current rates of pay are comparatively low when compared to our competitors in the job market. Responsibility: Associate Director City Operations Target Date: - Completion of workshop talent mapping: 30 June 2025 - Identification of employees for additional training (including Certificate III in Automotive Electric Vehicle Technology): 30 June 2025 - Training of identified employees: To be conducted in a staged approach with timeline to be determined following completion of the fleet AMP and associated EV Roadmap.

Finding 2: Further work is required to adequately cost and plan the CoA's EV transition

Moderate

Observations	Recommendation(s)	Agreed Management Actions
The CoA has adopted an Integrated Climate Strategy 2030 with a key objective to transition the corporate fleet to zero emissions by 2030. Whilst the CoA has begun this transition with a limited number of EVs and supporting infrastructure, an overall implementation plan supported by an overarching governance framework has not yet been established. This has resulted in: - Individual staff operating in silos with their own views of what the transition looks like and how it may affect their specific areas of practice with no clear leadership guidance to link them together. (i.e. the Sustainability team have been looking into how the Depot could be electrified with supporting EV chargers, and the Workshop Leading Hand has a view on how the workshop will need to be modified to support future EV maintenance). - No roadmap of how the transition will take place nor associated milestones along the way to track progress (such as a spreadsheet mapping out the transition and cost of the fleet and associated infrastructure over the next 5 -10 years). - A lack of business cases to guide budget development for the overall transition. (It is noted that the development of the Fleet Asset Management Plan is required to guide the budget development. There has also been no current planning or costing performed to consider how the transition will be funded as well as its overall impact on the Council's long term financial plans. In terms of the workshop's current physical condition and set up, a range of aspects require improvement to become suitable for the EV transition. Specifically, it was noted: - Current power supply to the CoA workshop is sufficient, however, additional charging stations will be required within the carpark of the workshop as well as within dedicated EV bays. There has been no dedicated plan to identify the location for charging stations. - The CoA has not identified EV maintenance bays which are sign posted and contain the appropriate equipment. Due to the increased safety concerns of EV, further safety equipment is required such as signs and barriers. Workshop operations support for EV maintenance will also require insulated tools and computers/diagnostics in order to complete servicing and maintenance. - Additionally, the CoA workshop currently has three (3) fire hydrants, however, an increase of charging stations within the workshop will provide additional risk of fires. The CoA will be required to investigate potential additional fire suppression equipment. <i>Continued on following page.</i>	1. Development of a supporting implementation plan defining clear targets, milestones and responsibilities for the EV transition. 2. Establish a costing methodology to support an understanding of the impact of the transition to the CoA's budget.	1. Agree to develop an implementation plan which will guide the CoA's transition to an EV fleet across multiple departments. However, at the time of the development of these actions, the CoA is out to market to assist in the development of an Asset Management Plan for Fleet (AMP) which is a key required input for the implementation plan. Responsibility: Associate Director City Operations Target Date: Mid / Late 2026 (+6-12 months post Fleet AMP development) 2. The CoA's current approach to funding renewals and upgrades needs to be explored. A determination will need to be made if additional renewal money can be accessed to address the likely funding gap between the cost of internal combustion engines (ICE) and the comparable EV vehicle. <i>Continued on following page.</i>

Finding 2: Further work is required to adequately cost and plan the CoA's EV transition (contd.)**Moderate**

Observations	Recommendation(s)	Agreed Management Actions
<i>Continued from previous page.</i> Risk(s) • Failure to formalise and document plans can hinder progress towards achieving sustainability goals, such as reducing carbon emissions, which are critical to the organisation's long-term environmental strategy. • Lack of plans to address the EV transition across all business units and teams can result in potentially not achieving the 2030 target due to the lack of defined plans with defined project sponsors. • Lack of budget planning may result either in an overspend which impacts other areas of the council or a delay/inadequate roll-out of the EV fleet. • Inadequate workshop infrastructure to support an EV fleet can hinder the maintenance and servicing of EVs, leading to increased downtime and reduced operational efficiency.		<i>Continued from previous page.</i> This will be addressed in key documents such as the Fleet AMP and the Fixed Asset Accounting Guidelines. This also needs to be considered alongside the overall EV implementation plan and likely staged procurement and gradual transition to an EV fleet. Responsibility: Associate Director City Operations Target Date: Mid / Late 2026 (+6-12 months post Fleet AMP development)

Finding 3: The CoA's workshop policies and procedures will require review and updating to support the EV transition

Moderate

Observations	Recommendation(s)	Agreed Management Actions
While the CoA has developed a range of policies, procedures, and guidelines to address both workshop and day-to-day operations, there is a lack of understanding of key documentation among workshop staff. Additionally, the current documentation does not consistently incorporate EV related aspects, such as battery charging processes. Specifically, the following issues were highlighted from our review: - The CoA operate and maintain four (4) EV vehicles and has developed a Safe Operating Procedures (SOP) for EV Truck and Tindo Bus. However, there is a lack of consistency in details covered by each of the respective SOPs, as the Tindo Bus SOP is far more detailed. For example, the Tindo Bus SOP details the battery charging procedure, however, the EV Truck SOP does not include the procedure to be followed. - Asset Management activities and responsibilities for the specialised engineering assets (i.e. cranes) within the workshop do not appear to be documented and there does not appear to be a clear asset register for these assets. Whilst there is an overall Buildings Asset Management Plan (AMP) maintained by the centralised CoA Asset Management team, its scope is limited to the overall structure and services of the workshop building itself and does not extend to workshop assets. It is recognised that the Fleet AMP is under development, however currently sits outside the centralised CoA Asset Management Team. - There is limited detailed procedures and checklists in place for personnel to complete key tasks. As a result, knowledge retention from previous tasks is heavily relied upon to complete current work. It was further noted that there are limited procedures in place outlining current workflow processes such as assignment of tasks from management to workshop staff. Given the current aging demographic of the workshop workforce (detailed in Finding 1 above), this lack of formally documented workshop procedures may result in key workshop knowledge being lost. (i.e. small plant maintenance expertise currently sits with one mechanic who is nearing retirement). - The CoA has a limited number of OEM manuals obtained through purchasing of assets which can vary in detail to support maintenance activities. These can be accessed from the workshop office when required, however it is unclear if key elements from these manuals have been integrated into workshop procedures. <i>Continued on following page.</i>	1. Review key operational documentation to include all aspects of EV. It is noted that the Tindo Bus SOP is an appropriate example to be leveraged where appropriate.	1. The CoA will undertake a first pass review of all relevant and associated quality documentation. Gaps will be identified that exist which relate to the EV fleet gaps will be closed with support from key stakeholders, including Work Group Leaders, Health and Safety Representatives, and the Risk Team. Current procurement processes which exist will be reviewed and updated to ensure that there are checks to ensure all relevant documentation is developed prior to acceptance of new fleets into service. Responsibility: Associate Director City Operations. Target Date: 1 October 2025 <i>Continued on following page.</i>

Finding 3: The CoA's workshop policies and procedures will require review and updating to support the EV transition (contd.)

Moderate

Observations	Recommendation(s)	Agreed Management Actions
<i>Continued from previous page.</i> - The CoA maintains and services a diverse range of assets, however there is a lack of documentation providing guidance to mechanics on each specific asset. Consequently, mechanics often spend extra time familiarising themselves with the asset and may not be aware of recurring or specific issues on an asset-by-asset basis due to this lack of familiarity. Risk(s) - Lack of up to date and relevant policies and procedures may lead to inappropriate workplace operations being undertaken or potential mismanagement of fleet. - Unclear operations strategy may lead to inefficiencies and ineffective practices being undertaken by the workshop. - Lack of documentation and unclear responsibilities for workshop assets and lack of an asset register may lead to mismanagement of key workshop assets.	2. Clarify the roles and responsibilities for management of workshop assets and document this within an Asset Management Plan and asset register.	<i>Continued from previous page.</i> 2. The workshop assets will be included within the scope of the Fleet AMP. Responsibility: Associate Director City Operations. Target Date: 1 February 2026

Finding 4: Workshop safety processes require review to ensure sound maintenance practices

Moderate

Observations	Recommendation(s)	Agreed Management Actions
The CoA's overarching WHS policy is comprehensive and sound, however gaps potentially exist in the implementation of lower-level processes and controls. (Related to Finding #3). Specifically for the current EV fleet, elements related to recovery and dealing with the potential of an EV battery fire are not clearly defined. Through internal audit and stakeholder consultations with the CoA's WHS personnel there has been an acknowledgement that some elements could be made more robust and attempts were made during the course of the internal audit to identify and commence remediation of some areas. There were also instances reported during stakeholder workshops of potentially inappropriate maintenance practices causing concern amongst team members. Whilst no direct evidence of these practices were presented it is noted that: - No recent WHS audits on overall compliance and implementation of the WHS policy have been conducted other than specific items relating to legislation (i.e. confirming fire extinguishers were within date) within the last couple of years. - The workshop reported a total of eight (8) incidents over the last two years which consisted of one (1) injury recorded as a lost time incident (LTI), four (4) injuries with no lost time, two (2) near misses and one (1) property damage. Based on limited information that is available within the public domain, recording of near misses appears to be low in comparison to reported injuries and may indicate either under-reporting of incidents or world leading practices.**. The most recent CoA internal culture review was also observed as reflecting some challenges within the workshop environment. The overall feedback indicated that very few staff felt the working environment was 'positive' and the team was well below the CoA organisation average. As a result, the City Operations Management team will need to investigate further with another pulse check of the team in March 2025. <i>**Industry benchmark data for minor injuries & near misses are not readily available. Based on available data from the US bureau of labour statistics in 2022 for automotive maintenance and repair workshops combined with models correlating lost time incidents to near misses suggests this number should be in the order of 6-12 near misses for the number of staff operating within the workshop (estimated to be ~14). Comparison of lost time injuries cannot be accurately benchmarked due to the low sample size (one incident) and low rate of reported incidents in the data (2 LTIs per 100 people).</i> <i>Continued on following page.</i>	1. Training for all workshop staff to re-iterate CoA WHS processes including reporting obligations as well as options for making reports outside of their direct chain of command. 2. Review of workshop practices to support individuals in assessing potential safety implications of maintenance and establish some checks and balances for activities with safety implications. Where appropriate, a second sign off may be required for specific activities and this should be implemented as a process in Assetic so there is an audit trail. This can be completed alongside recommendations within PIO #1.	1. Toolbox meetings will be conducted to provide training and guidance on how to report and escalate any issues that may arise from time to time. This training will include obligations for reporting of incidents and near misses. Responsibility: Manager City Maintenance Target Date: 1 March 2025 2 & 3. Work has commenced on a review of how workflows into, through and out to the team. This includes a review of the current team structure and potential 3-month trial of an additional Leading Hand to provide greater support to technicians with the intent to: • Give more a more contemporary staff to leader ratio to improve utilisation of corporate systems such as Assetic. • Improve quality of checks and balances. • Deepen the structure of the team and increase CoA inherent knowledge. <i>Continued on following page.</i>

Finding 4: Workshop safety processes require review to ensure sound maintenance practices (contd.)**Moderate**

Observations	Recommendation(s)	Agreed Management Actions
<i>Continued from previous page.</i> - This led to discussions and observations that a significant burden of deeming assets safe and fit for purpose following maintenance fell on individuals (either at the mechanic level or work group leader level). Within Assetic, all that is currently required is for the mechanic assigned the work to close the work order when finished and there is no requirement to provide any further documentation or commentary on the work done (related to Finding No. 3). (i.e.: for a vehicle service task, were the brakes checked as part of the service). It is acknowledged that the CoA is currently investigating the feasibility of adding 'checklists' to tasks in Assetic which would improve accountability and reduce the risk of something being missed. Specific critical tasks could also be required to have a 2nd sign off within Assetic as an additional check. - It was advised by the Work Group Leader that work conducted on key safety related assets such as lifting platforms were all outsourced to specialist contractors as an example of a control. However, it was unclear as to how the decision to outsource is made for these types of assets. Risk(s) - The CoA as an organisation may be exposed to liability in the event of an incident due to lack of controls / documentation on maintenance conducted. (It should be noted that the documentation element is currently being considered by CoA for inclusion into Assetic). - Incidents with potential safety implications may be going unreported. - Assets may be released from the workshop that are not fit for purpose due to lack of checks and balances. The following VACC Bulletin "Is your business ready to work on EVs?" and associated Safety Pack is recommended reading to help the workshop prepare for the transition. Link: OHSE - Is your business ready to work on Electric Vehicles.pdf	3. Improve documentation of activities conducted using Assetic (in progress by CoA).	<i>Continued from previous page.</i> Currently, baseline analysis is being undertaken to review current levels and quality of data collection and utilisation of Assetic including utilisation of Preventative Maintenance Schedules and minimum reporting requirements for warranty and reporting purposes. Further, collection of current levels of electronic time-sheeting and understanding current customer satisfaction levels. It is expected that a 3-month trial would see improvements in all metrics being measured, therefore improving quality and safety outcomes in line with this recommendation. Responsibility: Manager City Maintenance Target Date: 30 June 2025 <i>Continued on following page.</i>

Finding 4: Workshop safety processes require review to ensure sound maintenance practices (contd.)

Moderate

Observations	Recommendation(s)	Agreed Management Actions
	4. WHS to conduct an audit of workshop operations, focusing on the completeness of process documentation as required by the WHS policy and how effectively the resulting SOPs have been implemented.	<i>Continued from previous page.</i> 4. An audit will be undertaken with key stakeholders, including the Work Group Leader, key Workshop personnel, and Health and Safety Representatives with the remit of the recommendation. This work will be concurrent to Finding No. 4, action 1 and 2. Responsibility: Manager City Maintenance Target Date: 30 June 2025

Finding 5: Data-driven decision making is limited

Low

Observations	Recommendation(s)	Agreed Management Actions
The CoA is collecting a number of data points but there does not appear to be a clear strategy around how this can be used to improve operations and what additional data is required. This is leading to duplication of effort and hindering the ability to optimise operational efficiency. As the CoA transitions to an EV fleet, the amount of data available will only increase in quantity and variety so it is critical to have a clear strategy to guide the use of data now and into the future. Data collection and reporting (non-financial) is conducted primarily within the Assetic software package, and the current primary objective is Work Order management, including planning, allocating and tracking the effort of staff towards completing jobs. It also enables assets to be tracked and analysed to identify problem assets. Implementation at the workshop level is still ongoing but is showing encouraging progress and has driven measurable improvements in utilisation records. Internal Audit noted that the Assetic system does not appear to be utilised by the depot operations and asset managers to its full potential as: • Whilst there data is being captured, it is not currently actively used for reporting purposes. It's also unclear if the data is being analysed to drive any organisational change or improvement strategies. Any reports of data from Assetic are currently generated on demand and not on a regular basis against any KPIs or metrics. • Lack of detail within individual work orders. The current setup is not capturing details of work performed, other than that the job was completed. This has resulted in a lack of an audit trail particularly for some workshop activities (i.e. were the brakes checked on the last service). This is a known deficiency that CoA staff are currently addressing. • Lack of data capture means certain elements (such as condition based preventative maintenance schedules) are unable to be established. Instead, vehicles are serviced at regular time-based intervals which may not reflect the actual need. Stakeholder consultations outlined there is a lack of assurance that vehicles are serviced and maintained appropriately, with most assets believed to be overserviced. In result, this may be inefficient use of resources and also may potentially risk additional failures through over-maintenance. • In addition, the Assetic system is still gaining acceptance amongst all personnel. This is resulting in Assetic not being used in full to maximise efficiency and additional effort being spent on work order management (i.e. paper-based records are still being duplicated). <i>Continued on following page.</i>	1. The CoA should define metrics and KPIs which can be measured to drive improvement given the current implementation of an asset management system (Assetic). For example: tracking and integration of fleet usage data to drive condition based servicing based on kms / hours operated rather than # of months.	1. Work has already commenced with efforts to develop a current baseline of systems usage and efforts to understand current customer satisfaction and expectation. The intent is to understand how data can be used to measure performance and therefore derive quantifiable metrics and targets. The CoA is planning to conduct industry benchmarking to identify potential best practices that should be adopted. Responsibility: Associate Director City Operations Target Date: 1 December 2025 <i>Continued on following page.</i>

Finding 5: Data-driven decision making is limited (contd.)

Low

Observations	Recommendation(s)	Agreed Management Actions
<i>Continued from previous page.</i> There are also other systems responsible for managing data which currently do not integrate with Assetic: - TechnologyOne, which is used for financial reporting. Assetic provides the CoA with visibility on its labour spend and how it is distributed amongst assets. However, TechnologyOne currently does not provide the same level of visibility for parts and consumables (Refer to PIO #2). - In-Vehicle monitoring system installed within certain fleet vehicles does not currently feed into Assetic. Industry best practice of similar Enterprise Asset Management (EAM) software systems sees the integration of work force, parts and inventory, costing and asset utilisation data self-contained within the one system (or at least integrated such that information flows freely between different systems). This will result in linked and accounted for data as part of day-to-day operations, with specific reports automatically generated for review as well as alerts linked to certain triggers to highlight potential issues or anomalies. Better practice examples of this would include: - Utilisation report which shows if assets are being used 'evenly' or if one particular asset in a fleet is being over/underutilised. - Automatic alerts if one asset has suffered a high number of repeated incidents within a specific timeframe which may require that asset to be brought in for further investigation. - Better management of assets and maintenance resources such as determining service intervals for assets based on actual utilisation rather than setting arbitrary time-based intervals, minimising the effort spent on maintenance to what is necessary. Risk(s) - The CoA may be unable to leverage efficiencies and improvements in operations driven by data that they already collect. - Data being collected may potentially be wasted effort as it is not being used and reported on in line with a clear strategy. - Current inefficient manual practices may persist even as systems and technology improves.	2. Review of legacy manual processes operating alongside systems such as Assetic to remove duplication of effort.	<i>Continued from previous page.</i> 2. This has ties to Finding No. 4 and the proposed 3-month trial of an additional leading hand. It is expected that the additional leading hand will support with simplifying some of the duplicate processes that are known to exist to improve efficiency in the workshop. This includes the transition to electronic time-sheeting and increased usage of the preventative maintenance work orders within Assetic. Responsibility: Associate Director City Operations Target Date: 1 December 2025

PIO 1: Scope of workshop activities require strategic review**PIO**

Observations	Recommendation(s)	Agreed Management Actions
The CoA currently performs the vast majority of asset maintenance in-house ranging from general servicing to complex repairs and overhauls. A limited number of tasks are currently outsourced which typically occur due to: - Lack of capability in-house (all EVs are currently serviced back at the OEMs) - Relates to specific high-risk equipment (i.e. elevated lifting platforms) - Surges in workload beyond the CoA's internal capacity. Stakeholder consultations outlined that determination of outsourcing is managed by the Workgroup Leader and Leading Hand but there does not appear to be any formalised framework or criteria to guide them. (i.e.: Elevated lifting platforms were highlighted as being outsourced due to the risk associated with these assets if there was a failure, but it's unclear how this risk is determined and how this is standardised and applied across the scope of workshop activities, refer Finding No. 4). It is understood a primary driver for a predominately insourcing model is due to maintaining control of asset downtime and availability, however, there is no evidence currently available that insourcing is the most efficient approach to achieving this objective. There also has not been any evidence presented that decisions between insourcing and outsourcing have been optimised from a cost perspective for the CoA. Current technologies are evolving towards electronic systems which often require specific diagnostics equipment and skills, some of which OEMs are reluctant to share with third party workshops. This is expected to be more prevalent as the CoA transitions to EVs and vehicle systems rely more heavily on electronics and insourcing may not even be an option for certain activities, and noting the potential workforce challenges identified (see Finding No. 1) a consideration of how much future EV work should be outsourced may also alleviate potential workforce capability limitations.	1. Consider a review of the scope of insourced / outsourced workshop activities alongside the CoA's workforce planning strategies at the current state and near future.	1. In conjunction with Finding No. 1, this will be considered following a review of our workforce to understand the likely mix of insource / outsourced activities in the near future. It is intended that this will be a continual process as the mix of the fleet changes with the EV transition and new types of assets are introduced over time. Responsibility: Associate Director City Operations Target Date: Mid-Late 2025 (~+3 months from completion of workforce review)

PIO 2: Procurement and spending on consumables requires additional transparency

PIO

Observations	Recommendation(s)	Agreed Management Actions
The CoA's workshop operations have not undergone a thorough review of its expenditure profile; in particular the tracking of consumables spend. As a result, opportunities to improve the efficiency and financial sustainability of workshop operations may have been missed. The highest costs associated with the workshop is labour which was \$1.4mil in the FY24 and consumables of \$480K, with other minimal expenditure items. Stakeholder consultations outlined current limitations in the tracking of consumables and allocation to assets is due to: - Lack of system integration: Currently, there is an inability within TechnologyOne (Financial management system) to split invoices to multiple assets; and. - Usage of consumables and parts on the shop floor on a day-to-day basis may not necessarily always be accurately documented against assets. Additionally, review of the workshop consumables expenditure has also not been performed by the CoA's Procurement team. This oversight has potentially significant implications for the efficiency and financial sustainability of workshop activities. For labour hours the roll-out of Assetic has allowed the CoA to understand at the work order level how labour hours are being expended to enable tracking of effort against assets.	1. The CoA Procurement team to review how consumables are currently purchased including the existence of standing offers. 2. Explore methods of better tracking consumable and small parts spend within the workshop environment. (Note: this will likely add an additional admin burden on operational staff so any changes should consider the cost versus benefit of this monitoring.	1. Agreed. A review will be done to recommendation one to establish an understanding of current practices, making notes and observations on options for improvements. 2. This will then inform the approach to recommendation one and allow for relevant systems changes to incorporate any changes. Responsibility: Manager City Maintenance Target Date: 1 December 2025

Appendices

1. Scope of Work	23
2. Stakeholders Consulted	24
3. Classification of Internal Audit Findings	25
4. Disclaimer	27

Appendix 1 – Scope of Work

Internal Audit Program 2024/2025: EV Transition for Workshop Operations

Background

In accordance with the 2024/2025 Internal Audit Plan for the CoA, an internal audit focused on the CoA's preparedness for the transition to EV, focused on workshop operations, was performed. The objective, scope and approach are outlined below.

Objective

The overall objective of this internal audit included a high-level assessment of workshop operations and identification of areas that may require adjustment to enable and to support a predominately EV-based fleet by 2030. The internal audit considered specific EV requirements and risks to the CoA based on the planned fleet transition as it pertains to workshop operations.

Scope of services

To address the overall objective above, the scope of this engagement included consideration of the following areas:

1. Understand at a high-level the CoA's current resourcing structure of workshop operations and consider relevant strategic plan(s) that may impact future resourcing requirements for the workshop.
2. High-level assessment of the following areas of the workshop operation and comment on adjustments required to support a predominately EV fleet by 2030. Areas of focus for review of the workshop operations included:
 - a) Current staff qualifications and any necessary training.
 - b) An overview of the physical facility's capabilities and modifications needed, including:
 - i. Electrical Power needs.
 - ii. Battery handling and disposal.
 - iii. Fire suppression and safety.

- c) Evaluation of support and test equipment to ensure compatibility with EV requirements.
 - d) Review of tasks currently conducted within the workshop to identify potential changes or upgrades.
3. Reviewed and assessed the clarity of roles, responsibilities and accountabilities within workshop operations.
 4. Assessed the approval processes and key controls for workshop expenses including adherence to delegated authorities.
 5. Conducted a high-level assessment to understand key pain points and opportunities for improvement to workshop operations.

Scope exclusions:

- Review of deployment and operations of an EV fleet.
- The review considered the workshop updates required for fleet and did not consider transition requirements for other items of plant.

Approach

This engagement was performed using the following approach:

- Review of documentation and systems in place including relevant plans, policies, procedures, guidelines and tools, including any completed costing projections on the planned EV transition.
- Consultation with relevant stakeholders to understand the current approach and processes in place over workshop operations.
- Conducted a site visit of the workshop (over two days) to understand existing facilities and equipment in place.
- Close-out meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.
- Drafting and finalisation of an internal audit report outlining internal audit findings, recommendations and any performance improvement opportunities.

Appendix 2 – Stakeholders Consulted

The table below outlines all personnel who were involved in discussions and contributed to the observations in this report.

Name	Role
Janet Crook	Team Leader, Corporate Governance & Legal
Annette Pianezzola	Risk & Audit Analyst
Noni Williams	Associate Director, City Operations
Scott Rodda	Manager, City Maintenance
Rada Sofranic	Lead, Business & Systems Analyst
Kevin Potter	Team Leader, Trades, Workshops & Facilities Services
Michael Hughes	Workgroup Leader Workshops
Aleta Gunn	Fleet Coordinator, Operations Support
Shaun Austin	Leading Hand Mechanic
Kirsty Omenzetter	Business Partner, Safety Systems and Wellbeing
Tracy Blaze	Senior Finance Business Partner City Services
Matthew Field	Manager, Park Lands & Sustainability
Andrea Bassett	Principal Climate Change Advisor
Simon Cope	Team Leader, Procurement & Contract Management
Bradley Wiseman	Strategic Procurement & Contract Advisor
Geoffrey Humphrey	Work Group Leader, Footpaths and Concrete
Sarah Wuttke	Asset Manager, Buildings
Ruochen Liu	Asset Planner, Buildings

Appendix 3 – Classification of Internal Audit Findings

The following framework for internal audit ratings is based on the CoA's risk assessment matrix.

Rating	Definition	Examples of business impact	Action(s) required
Extreme/Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	• Detrimental impact on operations or functions. • Sustained, serious loss in reputation. • Going concern of the business becomes an issue. • Decrease in the public's confidence in the CoA. • Serious decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. • Life threatening.	• Requires immediate notification to the CoA Audit Committee via the Presiding Member. • Requires immediate notification to CoA's Chief Executive Officer. • Requires immediate action planning/remediation actions.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	• Major impact on operations or functions. • Serious diminution in reputation. • Probable decrease in the public's confidence in the CoA. • Major decline in service/product delivery, value and/or quality recognised by stakeholders. • Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. • Extensive injuries.	• Requires immediate CoA Director notification. • Requires prompt management action planning/remediation actions.

Appendix 3 – Classification of Internal Audit Findings (contd.)

The following framework for internal audit ratings is based on the CoA's risk assessment matrix.

Rating	Definition	Examples of business impact	Action(s) required
Moderate	Issue represents a control weakness, which could have or is having a moderate adverse effect on the ability to achieve process objectives.	- Moderate impact on operations or functions. - Reputation will be affected in the short-term. - Possible decrease in the public's confidence in the CoA. - Moderate decline in service/product delivery, value and/or quality recognised by stakeholders. - Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. - Medical treatment required.	- Requires CoA Director and/or Associate Director attention. - Requires short-term management action.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	- Minor impact on internal business only. - Minor potential impact on reputation. - Should not decrease the public's confidence in the Council. - Minimal decline in service/product delivery, value and/or quality recognised by stakeholders. - Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. - First aid treatment.	Timeframe for action is subject to competing priorities and cost/benefit (i.e. 90 days).

Appendix 4 – Disclaimer

Inherent Limitations

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. The procedures performed were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed on the control procedures are on sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Adelaide management and personnel consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Executive Summary of this report and for City of Adelaide's information, and is not to be used for any other purpose or distributed to any other party without KPMG's prior written consent.

This internal audit report has been prepared at the request of the City of Adelaide or its delegate in connection with our engagement to perform internal audit services. Other than our responsibility to City of Adelaide, neither KPMG nor any member or employee of KPMG undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Adelaide's external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.

Electronic Distribution of Report

This KPMG report was produced solely for the use and benefit of City of Adelaide and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated February 2025 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report.

Any redistribution of this report requires the prior written approval of KPMG and in any event is to be a complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree.

Responsibility for the security of any electronic distribution of this report remains the responsibility of City of Adelaide and KPMG accepts no liability if the report is or has been altered in any way by any person.



Justin Jamieson
Partner

T: +61 402 380 169
E: jjamieson@kpmg.com.au



Heather Martens
Director

T: 08 8236 3273
E: hmartens@kpmg.com.au



Chen Du
**Manager (Maintenance & Asset
Management SME)**

T: 08 9288 6381
E: cdu7@kpmg.com.au

KPMG.com.au



©2025 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

Liability limited by a scheme approved under Professional Standards Legislation.

Document Classification: KPMG Confidential

Strategic Risk Register - update

Strategic Alignment - Our Corporation

Public

Friday, 11 April 2025

Audit and Risk Committee

Program Contact:

Rebecca Hayes, Associate

Director Governance & Strategy

Approving Officer:

Anthony Spartalis, Chief

Operating Officer

EXECUTIVE SUMMARY

This report presents the City of Adelaide's (CoA) draft revised 2025 Strategic Risk Register (Register).

The Register is part of the CoA risk management framework and requires regular update. A revised Register was noted by the Audit and Risk Committee (ARC) at its 14 June 2024 meeting, at which ARC requested format and methodological changes to the Register be brought back to ARC at a future meeting.

The attached revised Register (Attachment A) has been revamped to reflect ARC feedback from 14 June 2024. It has been workshopped with risk owners across the organisation. The risks, controls and risk ratings were reviewed and updated.

The revised Register was presented to the Strategic Risk and Internal Audit Group (SRIA) at the March 2025 meeting, which is supportive of the next steps.

ARC is requested to provide feedback on the Register which includes seeking specific feedback on the subordinate risks and the control measures in place.

Following the ARC meeting, SRIA will consider any feedback from ARC and review the Residual Risks. Once this has been completed, the Register will be presented back to ARC for final endorsement and recommendation to Council.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL:

THAT COUNCIL:

1. Notes the report to Item 6.2 - Strategic Risk Register Update on the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025.
2. Endorses the Strategic Risk Register in Attachment A to Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025, and provides the following feedback:
 - 2.1. _____
 - 2.2. _____

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation 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	The Strategic Risk Register is part of the City of Adelaide risk management framework, outlined in the Risk Management Operating Guideline
Consultation	Not as a result of this report.
Resource	Not as a result of this report.
Risk / Legal / Legislative	Sound risk and opportunity management, minimises and controls risk, identifies improvement opportunities, and enables well-informed decision-making and supports the delivery of the Strategic Plan.
Opportunities	Sound risk and opportunity management, minimises and controls risk, identifies improvement opportunities, and enables well-informed decision-making and supports the delivery of the Strategic Plan.
24/25 Budget Allocation	Not as a result of this report.
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 Audit and Risk Committees (ARC) Terms of Reference and Meeting Procedures, states in part 11.2. *Keep under review the effectiveness of the Council's internal controls, risk and information management systems and the Council's Risk Profile, monitoring the risk exposure of Council and its subsidiaries.*
2. KPMG facilitated a Strategic Risk Workshop to review and discuss the strategic risks for City of Adelaide (CoA) with the Executive. The outcomes were collated and formalised in a draft Register which was endorsed by the Strategic Risk and Internal Audit Group (SRIA) on 16 May 2024.
3. The attached revised Register (Attachment A) has been revamped to reflect the ARC feedback from 14 June 2024. It has been workshopped with risk owners across the organisation. The risks, controls and risk ratings were reviewed and updated.
4. The revised Register was presented to SRIA at the March 2025 meeting, which is supportive of the next steps.

Strategic Risk Register

5. ARC feedback reflected a need to better understand how high-level strategic risks related to subordinate risks, which control measures mitigate which risks, and to what degree. The revised Register employs a logical and sequential methodology which lays out:
 - 5.1. Ten high level "headline" strategic risks
 - 5.2. Causes and impact of high-level risks
 - 5.3. Subordinate risks which relate to or drive the high-level risk
 - 5.4. Likelihood of specific subordinate risks
 - 5.5. Operational areas impacted by uncontrolled subordinate risks
 - 5.6. Assessment of inherent risk level of subordinate risk
 - 5.7. Target subordinate risk level
 - 5.8. Control measures to mitigate subordinate risks
 - 5.9. Assessment of control effectiveness
 - 5.10. Assessment of residual risk likelihood, affected organisational areas, and risk level (after treatment)
 - 5.11. Responsible risk owner.
6. In the process of revising the Register, the risks, mitigating controls and risk likelihood have been reviewed with the relevant responsible risk owners.
7. The ten "headline" strategic risks are:
 - 7.1. *Financial Sustainability* – Council's financial settings are not sustainable in the long term.
 - 7.2. *Cyber Security* – Cyber Security vulnerability exposes the CoA to data breaches and system compromises, risking sensitive information and operational disruption.
 - 7.3. *Assets and Infrastructure* – Ineffective asset and infrastructure planning, systems and programs or insufficient funding available.
 - 7.4. *Business Resilience* – The risk of disruptions to essential services and operations due to unforeseen events, threatening the CoA's ability to safeguard its personnel, assets, maintain service continuity and meet community needs.
 - 7.5. *Climate Change Adaptation and Vulnerability* – Impact of changing climate conditions and an increase in extreme weather events presents a risk to Council, community infrastructure and natural environment.
 - 7.6. *Statutory and Regulatory Risk* – Non-compliance with statutory and regulatory requirements poses legal, financial and reputational risks to the organisation.
 - 7.7. *Reputational Risk* – Negative reputation and public perception of Council.
 - 7.8. *Human Resource Management* – Ineffective human resource management and work health & safety non-compliance.

7.9. *Ineffective Governance* – Ineffective governance leading to operational inefficiencies, legal liabilities and reputational damage.

7.10. *Lack of fit-for-purpose IT systems governance*

8. To ensure consistency of risk management practices across CoA, the approach reflected in the Register will be replicated to manage risks identified by the CoA subsidiaries (Adelaide Economic Development Agency, and Adelaide Central Market Authority).
9. ARC is requested to provide feedback on the Register which includes seeking specific feedback on the subordinate risks and the control measures in place.
10. Following the ARC meeting, SRIA will consider any feedback from ARC and review the Residual Risks. Once this has been completed, the Register will be presented back to ARC for final endorsement and recommendation to Council.

ATTACHMENTS

Attachment A – 2025 draft Strategic Risk Register

- END OF REPORT -

Risk 1 - Financial sustainability - Council financial settings are not sustainable in the long term.

Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating				Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level	Target risk			Likelihood	Consequence	Risk level		
* Significant increase in costs of asset renewals in capital delivery program, including impacts from increasing supplier costs and inflation. * Inadequate revenues to deliver on strategic plan objectives and initiatives, and services aligned with community needs and expectations. * Lack of financial and expenditure discipline	* Council is unable to fund its objectives * Increasing and unsustainable debt outside of debt liability ranges and prudential liability cap. * Inability to secure additional necessary debt. * Council forced to sell assets at the expense of meeting community expectations and standards	Council discretionary spending not controlled through poor financial discipline or unmanageable cost increases.	Service	Likely	Major	Extreme	High	Development and implementation of the Annual Business Plan & Budget with A/Ds and Managers, considering trends, what is required and service levels. The BP&B is presented to Audit & Risk Committee and Council annually and seek Council endorsement. (in accordance with financial principles adopted, and adopted LTFP,)	Mostly					
								Develop and implement the City Plan 2036	Mostly					
								Monitor and update the LTFP and seek Council endorsement as required to ensure long term financial implications are managed	Mostly					
								Monthly meetings with programs and Executive reporting	Effective					
								Develop and manage the governance arrangement for the Future Fund	Mostly					
		Inability to anticipate significant increase in costs of asset renewals in capital delivery program, including impacts from increasing supplier costs and inflation.	Financial	Likely	Major	Extreme	High	Deliver Asset Renewals in line with Council approved Asset Management Plans to ensure we are managing our assets in a financially sustainable manner (AMPS in place; PMO processes;)	Mostly				Deliver conservation management plans for heritage assets by 2025/26	AD Infrastructure
								Financial indicators are in line with annual targets (as outlined in the Long-Term Financial Plan) with a focus on Asset Renewal Funding Ratio between 90% - 110%	Effective					
								Implement the Asset Management Plans (AMPs updated regularly)	Mostly					
								Implement the Adelaide Parks Lands Management Strategy	Mostly					
								Monthly meetings with programs and Executive reporting						
		Over-runs in capital program budget through unexpected cost increase, and poor financial discipline	Financial	Likely	Major	Extreme	High	Development and implementation of the Annual Business Plan & Budget with A/Ds and Managers, considering trends, what is required and service levels. The BP&B is presented to Audit & Risk Committee and Council annual and seek Council endorsement. (in accordance with financial principles adopted, and adopted LTFP,)	Mostly				Determine future funding requirements for community assets such as Torrens Weir enhancement and replacement / strengthening of Adelaide Bridge	AD Finance & Procurement
								Monitor and update the LTFP and seek Council endorsement as required to ensure long term financial implications are managed	Effective					
								Weekly meetings of the <i>Change Triage Group (CTG)</i> sessions to recommend and govern changes to project scopes, schedules and cost where required.	Mostly					
								Weekly meetings of the <i>Project Control Group (PCG)</i> sessions to authorise project changes through management, including options review and 'best' delivery approaches.	Mostly					
								Weekly meetings of the <i>Asset Renewal Group (ARG)</i> sessions to recommend allocation of expenditure for asset renewals.	Mostly					
								Effective Procurement processes in awarding contracts and ensuring sufficient specifications documents are prepared prior to going out to the market						
								Monthly meetings with programs and Executive reporting	Effective					
								Effective PMO processes and systems	Effective					
		Inadequate revenues to identify and fund strategic and operational objectives	Financial Service Reputation	Likely	Major	Extreme	High	Appropriate review of the Annual Business Plan & Budget to provide appropriate funding to achieve the strategies identified	Mostly				Increase rate revenue by increasing number of dwellings e in accordance with the City Plan by 2036	A/D Strategic Property & Commercial
								Develop and implement a City of Adelaide Economic Development Strategy					Increase investment in rental properties in line with Council's Housing Strategy	A/D Strategic Property & Commercial
								Financial indicators are in line with annual targets (as outlined in the Long-Term Financial Plan) with a focus on Asset Renewal Funding Ratio between 90% - 110%	Effective				Develop sales and tenancy targets associated with City of Adelaide housing developments	A/D Strategic Property & Commercial
								Grow the share of non-rates based revenue	Partially				Ensure that all strategies identified are costed for.	All Associate Directors
								Periodic review of the Rating System	Partially					
								Implement the Strategic Property Action Plan to manage opportunities including car parks and other commercial assets for our community	Effective					

Risk 2 - Cyber security - Cyber Security vulnerability exposes the CoA to data breaches and system compromises, risking sensitive information and operational disruption.

Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating			Target risk level	Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level				Likelihood	Consequence	Risk level		
* Inadequate cyber security measures, training and awareness and cyber security management performed by staff * Uncertainty in assessing vulnerabilities and evolving sophistication of cyber threat landscape.	* Data breaches * Compromised systems * Sensitive information inappropriately released/ used. * Operational disruption * Large scale service outage, unauthorised disclosure of confidential information, and financial loss	Cyber-attack resulting in large scale service outage, unauthorised disclosure of confidential information, and financial loss.	All	Likely	Major	Extreme	High	Regular targeted cyber security testing of configurations, controls, processes and cyber protection layers to indentify any possible weaknesses against exploit including any CoA personnel or 3rd party	Partially				Roll out security orchestration, automation and response (SOAR and unified Security information and event management (SIEM)) technologies to assist CoA to analyse, respond to and mitigate threats	AD Information Management
								Regular training modules (annual for current staff, and at induction for new staff)	Partially					
								Annual Penetration Testing that supports PCI Compliance requirements and general cyber security changes of possible significance	Partially				Establishment of a security operations centre (SOC)	
								Review and implementation of the Local Government Security Framework (LGSF)	Partially					
								Review and implementation of the Essential Eight Maturity Framework, including action plan to reach set Maturity Level 3	Partially				Implemenation of enhanced Endpoint protection and Application Management	AD Information Management
		Deliberate or accidental internal data misuse by an employee or associate.	Service Reputation	Possible	Major	Extreme	High	Report to SRIA every 6 months on cyber security measures and risks.	Partially				Roll out of Friendly Phishing	AD Information Management
								CoA has an insurance policy is in place from LGAAMF to provide cover for cyber security	Partially					
								Regular training modules (annual for current staff, and at induction for new staff)	Partially					
								Annual PCI-DSS Compliance audits (as part of Merchant Contract with CoA's banking provider)	Partially					
								Annual Penetration Testing that supports PCI Compliance requirements and general cyber security changes of possible significance	Partially					

Risk 3 - Assets and infrastructure - Ineffective asset and infrastructure planning, systems, and programs.															
Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating				Control measures	Effectiveness	Residual Risk			Treatments	Responsibility	
				Likelihood	Consequence	Risk level	Target risk level			Likelihood	Consequence	Risk level			
* Inaccuracy or inadequacy of asset management plans, including ineffective asset life cycle planning, estimation and decision-making frameworks and processes. * Poor, unsystematic and uninformed formal decision-making	* Supply chain risk, lack of skilled personnel and resources to deliver on program. * Increase in asset renewal and shorter asset cycle and costs of upgrading/betterment, maintenance costs, when repairing assets. * Asset owners and key decision makers unable to make informed decisions that balance cost, risk and performance.	Project delivery challenges, including supply chain risk, lack of skilled personnel and resources to deliver on program.	Service Reputation Financial	possible	Mod	High	Mod	Deliver Asset Renewals in line with Council approved Asset Management Plans to ensure we are managing our assets in a financially sustainable manner	Mostly						
								Monitor and update the Asset Management Plans as required to maintain service standards and to minimise performance risk	Mostly						
		Under-investment of asset renewal program - increasing deterioration of assets including from climate change, resulting in an increase in asset renewal and shorter asset cycle and costs of upgrading/betterment when repairing assets.	Service Reputation Financial	Possible	Major	High	Mod	Implement and embed that staff follow the project management framework for all projects, delivered by the Council, ensuring renewal, major, new and upgrade projects follow a 3-year cycle across Plan, Design and Construction.	Mostly						
								Weekly meetings of the <i>Change Triage Group (CTG)</i> sessions to recommend and govern changes to project scopes, schedules and cost where required.	Mostly						
		Ineffective formal decision-making framework, resulting in asset owners and key decision makers unable to make informed decisions that balance cost, risk and performance.	Service Reputation Finance	possible	Major	High	Mod	Weekly meetings of the <i>Project Control Group (PCG)</i> sessions to authorise project changes through management, including options review and 'best' delivery approaches.	Mostly				Develop and implement an Integrated Transport Strategy and establish associated targets by 2024/25 that aligns to the South Australian Road Safety Strategy by 2031	AD Infrastructure	
								Weekly meetings of the <i>Asset Renewal Group (ARG)</i> sessions to recommend allocation of expenditure for asset renewals.	Mostly						
								A centralise Project Management Office to assist with the prioritisation and delivery of projects via the Capital Works-Risk dashboard.	Mostly						

Risk 4 - Business resilience - The risk of disruptions to essential services and operations due to unforeseen events, threatening the CoA's ability to safeguard its personnel, assets, maintain service continuity and meet community needs.														
Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating			Target risk level	Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level				Likelihood	Consequence	Risk level		
* Inability to prepare, respond to, and promote resilience in the community in the event of an emergency (i.e. pandemic, earthquake, flood, extreme heat, terrorism). * Ineffective planning and execution of Council plans to ensure the continuity of business operations and IT systems in the event of a disaster.	* Serious injury or harm to staff and the public, resulting in suspension of CoA operations and reputational damages. * Essential and key Council operations are unable to be performed as a result of a natural disaster, cyber security incident, hardware or IT system failure, or other catastrophic event. * Discontinuity of business operations and IT systems in the event of a disaster.	Business continuity planning not prioritised or performed rigorously	Safety Service Reputation	Possible	Major	High	Mod	Bi-monthly meetings of the Emergency Management Steering Committee to provide oversight on emergency management function.	Mostly				Review the Business Continuity Plan annually with relevant A/Ds and Managers to ensure all critical functions are documented annually and conduct a BCP exercise.	AD Governance & Strategy
		Failure to respond effectively to community needs during a disaster.	Safety Service Reputation	Possible	Major	High	Mod	Bi-monthly meetings of the Emergency Management Steering Committee to provide oversight on emergency management function.	Mostly				Review the Business Continuity Plan annually with relevant A/Ds and Managers to ensure all critical functions are documented annually and conduct a BCP exercise.	AD Governance & Strategy
								Bi-monthly meetings of the Security Management Committee with security contractor	Mostly					
								Maintain Emergency Management Steering Committee	Mostly					
								Attend and participate in the Eastern Adelaide Zone Emergency Management ZONE Committee meetings, representing City of Adelaide every quarter.	Mostly					
								Implemented the Emergency Management Plans	Mostly					
								Adequately trained Council Commanders are in place to manage any types of emergencies.	Mostly					
								Ensure that Council maintains a current Disaster Recovery Plan	Mostly					
								Regular performance of cyber security audits when required (i.e. annual PCI-DSS performed, or when there is a change in a software or need to test).	Mostly					
								Annual program of internal and multi agency scenario testing	Mostly					
								Council representation on the Premier's Safety and Wellbeing Taskforce who developed short- and long-term strategies to keep the community safe (strategic and tactical actions).	Partially					

Risk 5 - Climate change adaptation and vulnerability - Impact of changing climate conditions and an increase in extreme weather events presents a risk to Council, community, infrastructure and natural environment.

Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating			Target risk level	Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level				Likelihood	Consequence	Risk level		
* Increased and prolonged heatwaves, increased flooding and urban heat island effects. * Climate induced threats to Council infrastructure, assets, waster management and the natural environment, * Failure to consider future legislative changes.	* Impacts of decarbonising and transitioning to a low carbon economy, including enhanced and new mandates and regulations, litigations exposure * increased cost of electricity * increased and prolonged heatwaves, increased flooding and urban heat island effects. * threat or actual harm to Council infrastructure, assets, waster management and the natural environment * Reduced worker wellbeing and impact worker health eg. outdoor crews	Inability to prioritise and fund key initiatives to mitigate impacts of Climate Change (including consideration of future legislative changes.)	Financial Reputation	likely	Major	Extreme	High	Use of ICS for prioritisation process for the Annual Business Plan and Budget aligned to climate risk	Partially					
								Preservation of a percentage of rate for Climate Change Action Initiative Fund	Partially					
		Ineffective policies to deal with prolonged heat, business continuity and human health heat stress.	Safety Service Reputation	Likely	Major	Extreme	High	Development and implementation of Working in the Heat Project	Mostly					
								Implementation of control measures for hazards for workers through work tasks and environment.	Mostly					
								Developed and implemented Working in Extreme Weather and Fatigue procedures, including Our Safe Operating Procedures, BAU Hazard Profile Risk Assessments.	Mostly					
		Reduced ability for staff to provide srevices and undertake operations	Safety Service Reputation	Likely	Major	Extreme	High	Development and implementation of Working in the Heat Project	Mostly					
								Implementation of control measures for hazards for workers through work tasks and environment.	Mostly					
								Developed and implemented Working in Extreme Weather and Fatigue procedures, including Our Safe Operating Procedures, BAU Hazard Profile Risk Assessments.	Mostly					
		Inability to adequately prepare for impacts from extreme weather events (eg increased and prolonged heatwaves, increased flooding and urban heat island effects.)	Financial Reputation Environment	Likely	Major	Extreme	High	Attend and participate in the Eastern Adelaide Zone Emergency Management ZONE Committee meetings, representing City of Adelaide every quarter.	Mostly				Develop city greening and cooling routes	AD Park Lands, Policy & Sustainability
													Review of Standard Details to determine where CoA can reduce embodied carbon by looking at different materials	AD Infrastructure
		Ineffective planning for the impact of changing climate conditions which pose a threat to Council infrastructure, assets, waster management and the natural environment	Financial Reputation Environment	Likely	Major	Extreme	High	Keeping informed of up-to-date science and adaptation knowledge, through IPCC, National & State Government, CSIRO, BOM and LGA updates, as well as partnerships with Universities, and participating in regional climate change adptation partnerships (e.g. Resilient East)	Mostly				Review of Standard Details to determine where CoA can reduce embodied carbon by looking at different materials	AD Infrastructure
								Attend and participate in the Capital City Committee of Lord Mayors and Carbon Neutral City Alliance	Mostly					
								Embedded consideration of climate impacts in the Asset Management Plans	Mostly					
								Deliver on the targets in the new City of Adelaide Integrated Climate Strategy	Mostly					
								Developed and implemented a Sustainability Governance and reporting Framework and capture and share data and learnings.	Partially					

Risk 6 - Statutory and regulatory - Non-compliance with statutory and regulatory requirements poses legal, financial, and reputational risks to the organisation														
Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating			Target risk level	Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level				Likelihood	Consequence	Risk level		
* Failure to comply with relevant legislation and regulatory requirements * Failure to provide effective systems and processes to monitor and respond to regulatory changes.	* Reputational damage from non-compliance; * Legal challenges and costs; * Negative impact on community health and wellbeing (through poor compliance with statutory and regulatory standards)	Non-compliance with relevant legislation and regulatory requirements.	Financial Reputation	Possible	Mod	High	Mod	Engage external auditors to conduct the end of year financial audit and internal controls opinion	Mostly					
								Schedule quarterly PCI Compliance meetings with the relevant stakeholders to ensure 100% on BAU PCI compliance which is monitored and reviewed via Promapp (as per the pre-determined frequency).	Mostly					
								Undertake annual legislative reviews as part of the Internal Audit program and report to Audit & Risk Committee.	Mostly					
		Inability to monitor and respond to regulatory changes	Service Reputation	Possible	Mod	High	Mod	Implement a robust internal audit program that aligns to service outcomes	Mostly				Utilise external legal providers for legislative change training	AD Governance & Strategy
								Undertake 6 monthly self-assessments and reviews of Internal Controls (via Promapp).	Mostly					
								Hold monthly SRIA meetings, record minutes and report to Audit & Risk Committee.	Mostly					
								Attend and participate in the SA Local Government Finance Manager Group meetings, representing City of Adelaide	Mostly					
								Weekly Government Gazette Legislative Alerts sent to Executive and Senior Staff across CoA	Mostly					
								Ensure all staff complete the Good Governance training module to provide awareness of legislative obligations.	Mostly					

Risk 7 - Reputational - Negative reputation and public perception of Council														
Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating			Target risk level	Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level				Likelihood	Consequence	Risk level		
* Adverse and critical media and community coverage. * Media coverage of council behaviour * Failure to fulfill community needs and expectations, including not meeting service levels. * adverse audit findings * media misrepresentation	* loss of community trust and social license. * Increased community complaints, FOI requests, legal challenges.	Loss of community trust and social license (Impacts of adverse and critical media and community coverage)	Reputation	Possible	Major	High	Mod	Lord Mayor as the spokesperson for Council and CEO for administration to provide consistent source of information	Mostly					
								Adherence to community consultation to engagement and policies	Mostly					
								Implementation of the Public Transparency Policy						
								Onboarding and mid-term training of Elected Members for new or re-elected members	Mostly					
		Not prioritising meeting community needs and expectations, including service levels.	Reputation Service	Possible	Major	High	Mod	Up-to-date and embedded policies and practices to ensure website and social media content is reflective of current decisions, projects and services	Partially				Reduce the number of items and Council decisions considered and held in confidence	AD Governance & Strategy
								Implement data integration solutions for Customer Insights to drive efficiency outcomes	Partially					
								Review the Community Engagement approach by 2025	Partially					
		Not addressing adverse audit findings.	Financial Reputation	Possible	Major	High	Mod	Regular reporting to SRIA and Audit & Risk Committee	Partially					
								Bi-ennial review of internal audit recommendation implementation as part of the Internal Audit Plan	Partially					
								Implemented CEO approval process of internal audit extensions	Partially					

Risk 8 - Human resource management - Ineffective Human Resource Management; and Work Health & Safety non-compliance

Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating				Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level	Target risk level			Likelihood	Consequence	Risk level		
* Poor employer brand/reputation * Inability to match terms/conditions offered by other employers * Insufficient internal expertise to identify and implement effective control measures * Lack of commitment to establishing a strong organisational culture * Insufficient of ineffective use of learning and development budgets * Insufficient or ineffective tools to support delivery, monitoring and evaluation of performance and actions	* Reduced availability of resources and skills to deliver Council's strategic aspirations * Reduced worker wellbeing * Reduced productivity and performance * Increased turnover * Damage to employer brand * Increased Industrial and WHS disputes and costs	Capacity to attract and retain required skills	Safety Service Reputation	possible	Mod	High	Mod	Internal and external employer branding / Employee Value Proposition initiatives	Partially				Refresh and relaunch of Employee Value Proposition	AD People
								Development and implemented CoA Graduate Program	Partially				Develop of the Workforce Management System capability re: improved employer branding and candidate experience during recruitment	AD People
								Implemented Attracting and Retention Operating Guideline	Partially					
								Implemented Organisational Culture Surveys	Partially					
		Maintenance of an engaged workforce and positive organisational culture	Safety Service Reputation	Possible	Mod	High	Mod	Implemented Organisational Culture/Pulse Check Surveys	Partially					
								Monthly meetings of the Organisational Culture Reference Group to provide a mechanism for Executive and SLT to develop, deliver and monitor initiatives aimed at ensuring a positive organisational culture and supporting a high performing organisation	Mostly					
								Organisational and program culture action plans established and monitored	Partially					
								Embedded recognition practices in place	Partially					
								Inclusion of leader actions regarding culture in leader PDC conversations / KPIs	Partially					
		Establishment of a high performing organisation	Safety Service Reputation	Possible	Mod	High	Mod	Development and implementation of Workforce Planning Framework	Partially				Develop the Leadership Capability Framework	AD People
								Implementation of program workforce planning action plans	Partially				Develop the Workforce Management System capability re: performance and talent management and succession planning	AD People
								Embedded learning and development budgets to enable internal and external development opportunities.	Partially					
		Compliance with work health and safety legislation for all workers (as defined under the WHS Act) and the community	Safety Service Reputation	Possible	Mod	High	Mod	Monitoring of legislative requirements/action through Promapp.	Partially					
								Undertake annual legislative reviews as part of the Internal Audit program	Partially					
								Established of due diligence questionnaire process incorporating physical and psychosocial hazards	Partially					
								Implementation of WHS training / education programs	Partially					
								Quarterly meetings of the WHS Committee to provide oversight on workplace health and safety	Mostly					
								Development and implementation of the Wellbeing Program	Partially					
		Compliance with industrial legislation for employees	Safety Service Reputation	Possible	Major	High	Mod	Provision of legal advice on complex matters	Partially					
								Scheduled reviews of policies and procedures	Mostly					
								Quarterly meetings of the Employee Consultative Committee to provide a forum whereby management and employees are jointly committed to effective communication and consultation, and acts as a mechanism to monitor and review the application of the Agreement and foster good employee relations.	Partially					
								Maintenance of professional networks and knowledge	Partially					

Risk 9 - Ineffective governance - Ineffective governance leading to operational inefficiencies, legal liabilities, and reputational damage.

Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating				Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level	Target risk level			Likelihood	Consequence	Risk level		
* Ineffective governance structure and practices to support strategic decision-making. * Ineffective governance of Council and Subsidiary administrations. * Ineffective internal controls environment, including lack of monitoring, evaluation and continuous improvement of existing corporate governance practices. * Ineffective engagement with key stakeholder groups, including state and federal government, businesses and community groups.	*Operational inefficiencies, legal liabilities, and reputational damage. * Loss of community trust in CoA administration and elected members, and recued social license. * Legal costs * Financial loss (eg through embezzlement) * Missing out on grant funding * Fraud, corruption, misconduct or non-compliance. * Being investigated for maladminstration	Strategic decision-making is not well supported by governance structures and practices	Service Financial	Possible	Mod	High	Mod	Review the Governance Structure of Council at the commencement of each term (mid-term review if applicable)	Mostly					
								Adhering to legislative requirements of distribution and publication of meeting papers	Effective					
		Loss of community trust and social license for CoA administration and elected members.	Reputation	Possible	Mod	High	Mod	Appropriate skills resources within Corporate Governance team	Mostly					
								Review the Governance Structure of Council at the commencement of each term (mid-term review if applicable)	Mostly					
								Adhering to legislative requirements of distribution and publication of meeting papers	Effective					
								Implementation of the Public Transparency Policy	Mostly					
		Fraud, corruption, misconduct or non-compliance (ineffective internal controls environment, including lack of monitoring, evaluation and continuous improvement of existing corporate governance practices)	Financial Reputation	Possible	Mod	High	Mod	Implementation of the Public Interest Disclosure Operating Guideline and awareness to all staff the responsible person	Mostly					
								Implement a robust internal audit program that aligns to service outcomes	Mostly					
								Undertake 6 monthly self-assessments and reviews of Internal Controls (via Promapp).	Mostly					
								Ensure all staff complete the Good Governance training module to provide awareness of legislative obligations.	Mostly					
								Annual PCI-DSS Compliance audits (as part of Merchant Contract with CoA's banking provider)	Mostly					
		Inability to effectively engage with key stakeholder groups, including state and federal government, businesses and community groups. (is this with the right risk??)	Financial Service Reputation	Possible	Mod	High	Mod	Precincts groups provides a community voice that Council and Councillors can listen to.	Partially					
								Council representation on the Premier's Safety and Wellbeing Taskforce who developed short- and long-term strategies to keep the community safe (strategic and tactical actions).	Partially					
								LGA Membership and participation in the LGA and the Australian Local Government Association forums providing advocacy for the sector	Partially					
								Proactive participation of Capital City Committee meetings resulting in improved partnerships quarterly and funding/partnership opportunities.	Partially					
								Regular online communications to various segments of our community including City Business Newsletter. What's On and regular EDM for Rundle Mall stakeholders	Partially					
								The City Deal agreement between the Australian Government, State Government and Council which ensures the delivery of outcomes and programs for the State. Funding opportunities for Council	Mostly					
								Capital City Committee Lord Mayor (CCCLM) meet quarterly for all LM's and CEO's across Australia, annual GM	Partially					

Risk 10 - Lack of fit for purpose IT systems and governance

Causes	Impact	Subordinate risks	Affected Areas	Inherent Risk Rating				Control measures	Effectiveness	Residual Risk			Treatments	Responsibility
				Likelihood	Consequence	Risk level	Target risk level			Likelihood	Consequence	Risk level		
* Current business systems are not fit for purpose, to enable delivery of efficient operations and meet community needs. * Failure to comply with data protection regulation * poor data management and safety due to lack of employee training and awareness	* inefficient operations which fail to meet community needs * Costs (inefficiencies), driving need for greater rate rises. *Poor data managment and safety including accidental loss of data, and malicious cyber attack.	Unable to deliver efficient operations and meet community need (Current business systems are not fit for purpose)	Service Reputation	Likely	Major	Extreme	High	Every 2 months hold ongoing Business Systems Committee that oversee the investment in business systems	Mostly					
		Inability to comply with data protection regulations	Service Reputation	Likely	Major	Extreme	High	Implementation of the Privacy Policy	Partially				Develop education awareness sessions around data protection	
						Extreme	High	Development of a Data Mangement Operating Guideline						AD Governance & Strategy
		Cyber attacks (see Cyber Security risk above)		Likely	Major	Extreme	High	Regular targeted cyber security testing of configurations, controls, processes and cyber protection layers to indentify any possible weaknesses against exploit including any CoA personnel or 3rd party	Partially				Roll out security orchestration, automation and response (SOAR and unified Security information and event management (SIEM)) technologies to assist CoA to analyse, respond to and mitigate threats	AD Information Management
								Regular training modules (annual for current staff, and at induction for new staff)	Partially				Roll out of Friendly Phishing and update Be Security Smart online content	AD Information Management
								Annual Penetration Testing that supports PCI Compliance requirements and general cyber security changes of possible significance	Partially					
								Review and implementation of the Local Government Security Framework (LGSF)	Partially					
								Review and implementation of the Essential Eight Maturity Framework, including action plan to reach set Maturity Level 3	Partially					
								Report to SRIA every 6 months on cyber security for discussion on risk exposure and controls	Partially					
								CoA has an insurance policy is in place from LGAAMF to provide cover for cyber security	Partially					
								Regular training modules (annual for current staff, and at induction for new staff)	Partially					
								Annual PCI-DSS Compliance audits (as part of Merchant Contract with CoA's banking provider)	Partially					
								Annual Penetration Testing that supports PCI Compliance requirements and general cyber security changes of possible significance	Partially					
		Unavailability/ inaccessibility of necessary information impacting efficient operation and decision-making	Service Reputation	Likely	Major	Extreme	High	Ensure that Council maintains a current Disaster Recovery Plan	Partially					

Culture Survey Review Audit - Update

Strategic Alignment - Our Corporation

Public

Friday, 11 April 2025

Audit and Risk Committee

Program Contact:

Louise Williams, Associate
Director People

Approving Officer:

Anthony Spartalis, Chief
Operating Officer

EXECUTIVE SUMMARY

An internal audit of City of Adelaide's (CoA) Culture Survey was included in the 2023/24 Internal Audit Plan, and conducted to address an identified strategic risk - Poor organisational culture.

The audit ([Link 1](#)) resulted in five findings. Two risks were rated as high, two risks were rated as moderate, and one risk was identified as a performance improvement opportunity.

A Management Action Plan (Attachment A) was endorsed by Executive to address recommendations based on the five findings, with actions being incorporated into the development and delivery of CoA's 2024 Culture Survey.

This report provides an update on the progress and completion of those actions.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the progress made towards the completion of the Management Action Plan as contained in Attachment A to Item 6.3 on the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025, resulting from the 2024 Culture Survey Review Internal Audit.

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	Not as a result of this report
Opportunities	Not as a result of this report
24/25 Budget Allocation	Not as a result of this report
Proposed 25/26 Budget Allocation	\$50,000 to support continued use of employee experience / engagement platform
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 Culture Survey Review was performed by KPMG in 2024 ([Link 1](#)), in accordance with the City of Adelaide's (CoA) 2023-24 Internal Audit Plan.
2. The audit resulted in five findings. Two risks were rated as high, two risks were rated as moderate, and one risk was identified as a performance improvement opportunity.
 - 2.1. Communication of the survey results and culture improvement actions – High risk
 - 2.2. Staff confidence in the Culture Survey process requires strengthening – High risk
 - 2.3. Accountability mechanisms for the execution of culture improvement actions – Moderate Risk
 - 2.4. Leadership accountability regarding culture improvement action plans – Moderate risk
 - 2.5. Structure, content and frequency of Culture Surveys requires improvements – Improvement Opportunity
3. Administration considered the findings and provided actions and timeframes to address recommendations, resulting in the agreed Management Actions.
4. Agreed Management Actions have been reflected in the development and delivery of CoA's 2024 Culture Survey, and CoA conducted an organisation-wide Culture Survey in August 2024, addressing the key findings and recommendations from the internal audit.

Culture Survey Review Update

5. Since the Management Action Plan was finalised in August 2024 and the Culture Survey Audit was presented to the Audit and Risk Committee in November 2024, significant progress has been made in achieving the agreed Management Actions.
 - 5.1. Nine of eleven agreed Management Actions have been completed as detailed in Attachment A - 2024 Culture Survey Audit Management Action Update and summarised below:

	Actions	Target/Extension date	Status
Finding 1 Communication of survey results and culture improvement actions	1	October 2024	Completed
Finding 2 Staff confidence in the Culture Survey process requires strengthening	1, 2 & 3	August 2024	Completed
Finding 3 Accountability mechanisms for the execution of culture improvement actions	1 & 2	October 2024	Completed
Finding 4 Leadership accountability regarding culture improvement action plans	1 & 2	Action 1 approved extension to July 2025 Action 2 approved extension to December 2025	1 & 2 in progress
	3 & 4	Actions 3 & 4 extended due date to December 2024	3 & 4 Completed
PIO1 Structure, content and frequency of the Culture Survey requires improvements	1	August 2024	Completed

6. An update of progress against all Agreed Management Actions is shown in Attachment A.
7. Significant work has also been undertaken by the People program to build confidence and accountability, and increase leader involvement with the Culture Survey including:
 - 7.1. 22 debrief sessions conducted.
 - 7.2. 5 focus groups held to discuss key focus areas.
 - 7.3. 12 new resources created to support and guide leaders and employees to understand and drive action based upon the results.
 - 7.4. Monthly Organisational Culture Reference Group established for CoA's Executive and Senior Leadership team with the purpose of involving senior leaders in the development, delivery, and monitoring of initiatives aimed at ensuring a positive organisational culture and supporting a high performing organisation.
8. A ten question pulse survey was launched in late March 2025. The pulse survey will help CoA to regularly monitor employee engagement, progress made in increasing positive perceptions in the 2024 Culture survey areas of focus, and staff confidence that action is being taken in response to the Culture Survey.

DATA AND SUPPORTING INFORMATION

Link 1 – Culture Survey Review

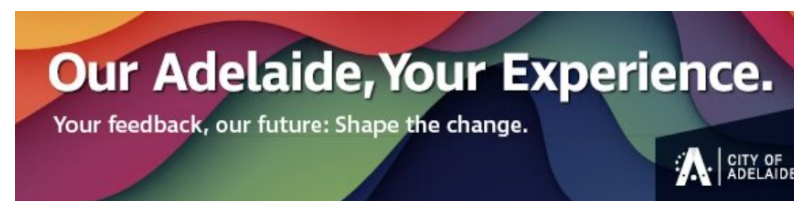
ATTACHMENTS

Attachment A – 2024 Culture Survey Audit Management Action Update

- END OF REPORT -

Culture Survey Review

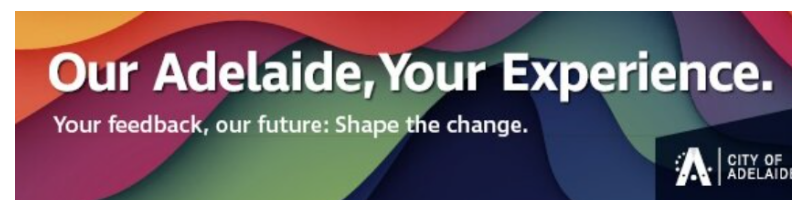
Management Action Plan – Updated 13/03/2025



Agreed Management Action	Target Date	Responsible	Status	Comments
Finding 1 - Communication of survey results and culture improvement actions				
Communication strategy to be developed and shared with the ELT and the SLT prior to survey roll out, including:	October 2024	Manager, People	Complete	Communication strategy approved by Executive prior to survey roll out
De-identified comments to only be shared with the ELT for the whole organisation, and shared with the SLT at the program level (if required).	October 2024	Manager, People	Complete	Themes only have been shared with all staff (including Executive and SLT)
Ensure the ELT and the SLT are debriefed appropriately and know their responsibilities moving forward to support survey actions.	October 2024	Manager, People	Complete	Debriefs have been completed at the organisational, portfolio and program level.
Communication of organisational action plan with the alignment of actions with survey results.	October 2024	Manager, People	Complete	Organisational action plan has been endorsed by Executive and shared via The Next Edition and SharePoint page.
Establish plan and platforms to be used for regular reporting to all staff on Culture Survey initiatives and outcomes.	October 2024	Manager, People	Complete	Communications plan has been updated to include regular progress updates and achievements to all staff. Formal reports will be provided to Executive biannually.
Finding 2 - Staff confidence in the culture survey process requires strengthening				
CoA to utilise inhouse organisational psychology and organisational culture expertise to develop a plan for the next Culture Survey which considers and clearly outlines responsibilities.	August 2024	Manager, People	Complete	People Experience team has drawn on inhouse Organisational Psychology experience to plan and implement the culture survey.
Use Culture Amp as a platform for the next Culture Survey. Relaunch and rebrand the Culture Survey with a clear purpose and process. Clearly communicate this to staff at all levels throughout the organisation. Communications plan to emphasise the integrity and experience of the People team in facilitating Culture Surveys.	August 2024	Manager, People	Complete	Culture Amp utilised for the survey, reporting and action planning at the Program level. Survey rebranded as <i>Our Adelaide, Your Experience</i>. People team has clear involvement in the survey roll out and debriefing, and led the debriefs for all Portfolio and Program debriefs.

Culture Survey Review

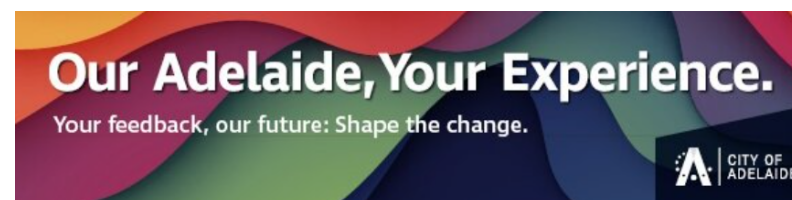
Management Action Plan – Updated 13/03/2025



Agreed Management Action	Target Date	Responsible	Status	Comments
Project plan for the next Culture Survey to include clear indication of how the audit actions will be addressed. Survey to be conducted following endorsement of approach by the ELT that the proposed strategy addresses audit recommendations	August 2024	Manager, People	Complete	All audit actions have been considered and addressed through the project plan. Survey approach and design received ELT endorsement.
Finding 3 - Accountability mechanisms for the execution of culture improvement actions				
Document the process for quantitative and qualitative data analysis (including identification of themes and focus areas) and the translation of survey results into action plans.	October 2024	Manager, People	Complete	Internal guidelines to support the quality and consistency of data analysis have been developed. This includes a process for quantitative and qualitative data analysis, ethical treatment of raw data and use of Culture Amp. Following data analysis, the guideline provides indication of further activities to enhance data interpretation such as debriefs, focus groups and consultation. Identification of focus areas and how these lead to action plans is also documented.
Establish the following accountability mechanisms:	October 2024	Manager, People	n/a	n/a
Utilise Culture Amp as a platform for supporting the implementation of culture improvement actions.	October 2024	Manager, People	Complete	Culture Amp has been implemented to monitor Program actions.
Ensure action plan templates are aligned to SMART goal setting principles with clear leads, outcomes, measurables and timeframes.	October 2024	Manager, People	Complete	Organisational action plan has been developed in accordance with the SMART goal framework, with clear targets, timeframes and measures.
Establish regular communication processes to keep staff informed on the progress of the organisational action plan.	October 2024	Manager, People	Complete	Communications plan has been developed and is in implementation. Regular communications occur through internal newsletters, SLT Culture Survey discussions and leader-driven discussions with teams. Sharepoint page utilised as a source of up-to-date information.

Culture Survey Review

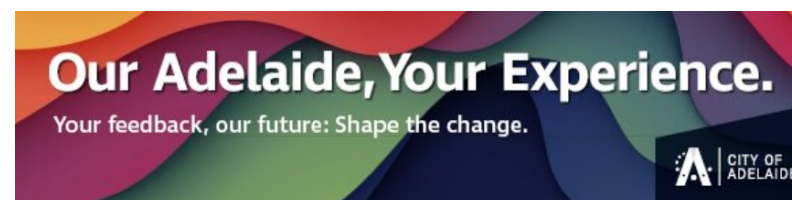
Management Action Plan – Updated 13/03/2025



Agreed Management Action	Target Date	Responsible	Status	Comments
Establish a clear reporting process for leaders to report on progress for program and team action plans.	October 2024	Manager, People	Complete	Associate Directors will use Culture Amp to update progress on actions. SLT Culture Survey Reference group will regularly discuss action progress, success and barriers. Successes and achievements will be shared through internal communication channels and SharePoint page.
Finding 4 - Leadership accountability regarding culture improvement action plans				
Implement KPIs relating to culture in the Workforce Strategy.	February 2025	CEO	In Progress	Employee engagement metric of 70% has been established as a CEO KPI. KPIs relating to culture have been included in draft Workforce Strategy. CEO has approved for the target date to be extended to 31 December 2025 to enable completion of workforce planning prior to approval of Workforce Strategy.
Leader performance reviews to include minimum of one culture related target / KPI.	February 2025	CEO	In Progress	Senior leaders have established KPIs related to culture – Currently at Director and Associate Director level and being cascaded through leadership levels. New design of performance development process is currently in progress as part of the broader roll out of a new workforce management system, and includes consideration of ways culture-specific targets can be included for leaders. CEO has approved for the target date to be extended to 31 July 2025.

Culture Survey Review

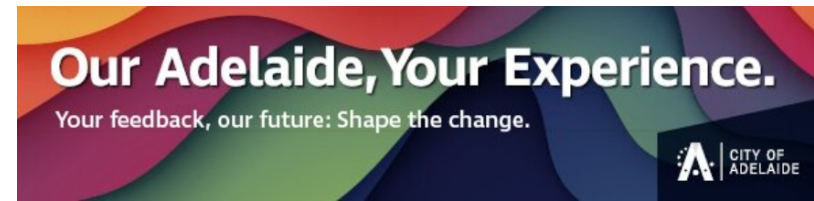
Management Action Plan – Updated 13/03/2025



Agreed Management Action	Target Date	Responsible	Status	Comments
Ensure leaders have the knowledge and skills required to understand and drive culture change within their teams – through training and resource development.	February 2025	CEO	Complete	Leader resources developed and shared regarding debriefs, action planning and discussing progress towards action. Regular articles containing skill building information shared via internal leader newsletter and SharePoint page. Individual leader advice/coaching support provided upon request. Opportunity provided for skill building and knowledge sharing at SLT & ELT Culture Reference Group meetings.
Establish standing agenda items regarding culture improvement action plans at the ELT and the SLT meetings.	February 2025	CEO	Complete	SLT & ELT Organisational Culture Reference Group has been established with monthly meetings and structured agendas. Organisational Culture is a standing item on the Executive agenda.
PIO1 - Structure, content and frequency of the Culture Survey requires improvements				
For the next Culture Survey: Provide a glossary of terms (including clear definition of 'leader').	August 2024	Manager, People	Complete	Glossary created to define terms for the survey and interpretation of results – available on SharePoint.
Establish clear objectives for the CoA's culture and KPIs.	August 2024	Manager, People	Complete	Employee engagement index reporting within Corporate Scorecard.
Ensure the Culture Survey has a clear and valid measure of employee engagement.	August 2024	Manager, People	Complete	Five question engagement index will be used for pulse checks and future surveys.
Review demographic questions to ensure survey protects anonymity of staff.	August 2024	Manager, People	Complete	Strict measures around confidentiality have been implemented – no reporting of comments, no reporting of groups <7, protection for groups with 1 respondent.

Culture Survey Review

Management Action Plan – Updated 13/03/2025



Agreed Management Action	Target Date	Responsible	Status	Comments
Undertake Culture Survey on a biennial basis, with a pulse check every 12 months at a minimum.	August 2024	Manager, People	Complete	Timeframe for pulse checks and next culture survey have been set.

Penalty and Infringement Compliance Internal Audit

Strategic Alignment - Our Corporation

Public

Friday, 11 April 2025

Audit and Risk Committee

Program Contact:

Rebecca Hayes, Associate
Director Governance & Strategy

Approving Officer:

Anthony Spartalis, Chief
Operating Officer

EXECUTIVE SUMMARY

The 2024-25 Internal Audit Plan (the 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 on CoA's penalty and infringement compliance.

This audit aligns with the Strategic Risk - Statutory and Regulatory Risk: Non-compliance with statutory and regulatory requirements poses legal, financial and reputational risks to the organisation.

The internal audit identified five findings. Two risk-rated Moderate and one risk-rated Low. Two Improvement Opportunities were identified.

This report requests that the Audit and Risk Committee note the report and endorse the administration responses.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the Penalty and Infringement Compliance Internal Audit report provided in Attachment A to Item 6.4 on the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025.
 2. Endorses the responses of the Administration to the Penalty and Infringement Compliance Internal Audit report as outlined in Attachment A to Item 6.4 the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025.
-

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	Internal audit report presented to SRIA.
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 are aligning Council processes to best practice standards.
24/25 Budget Allocation	\$250,000 is budgeted for external consultancy support in accordance with 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 Penalty and Infringement Compliance Internal Audit was performed by City of Adelaide's (CoA) Risk and Audit Analyst, in accordance with the 2024-25 Internal Audit Plan.

Report

2. This audit aligns with the CoA Strategic Risk – Statutory and Regulatory Risk: Non-compliance with statutory and regulatory requirements poses legal, financial and reputational risks to the organisation.
3. The Penalty and Infringement Compliance Internal Audit (Internal Audit) covered how the organisation manages penalty and infringement notices in line with legislative requirements, in particular:
 - 3.1. Issuance of notices
 - 3.2. Sending of reminder notices
 - 3.3. Management of cancellation or waived infringements
 - 3.4. Relationship with third parties.
4. The objectives of the Penalty and Infringement Compliance Internal Audit included review of the following:
 - 4.1. Assessment of compliance, through sample testing of Council-issued penalties and infringement notices under the various relevant Acts with a focus on cancelled or amended infringement notices
 - 4.2. Delegation of Authority
 - 4.3. Segregation of duties and conflicts of interests
 - 4.4. Relationship with the Fines Enforcement and Recovery Unit (FERU)
 - 4.5. Relationship with the Department for Infrastructure and Transport (DIT)
5. The findings of the Internal Audit are indexed into the following risk ratings:

Finding	Risk Rating
Increase in Essential Safety Provisions Expiations	Moderate
Lack of transparency in debt collection	Moderate
Procedures not reviewed	Low
Opportunity to utilise PinForce for non-parking expiations	Improvement Opportunity
Opportunity to request discounted search fees	Improvement Opportunity

6. The two moderate findings from the Internal Audit and the agreed management comments are listed below:

Increase in Essential Safety Provisions Expiations	1. A review of the enforcement approach will be conducted to confirm if existing resourcing will deliver the intended outcomes in a timeframe which is considered reasonable. Target Date: December 2025. 2. Following the review of the enforcement approach, if required, a budget bid may be submitted to request additional resourcing to ensure all building schedules have been consolidated and enforced in a reasonable timeframe. Target date: June 2026.
--	--

Lack of transparency in debt collection	1. Initiate discussion with FERU to raise concerns to reduce balance of outstanding expiations and increased transparency of waived/written-off expiations. Target date: May 2025 2. Establish ongoing regular meetings between CoA and FERU to continue increase transparency, address and resolve issues regarding expiation income. Target date: June 2025
---	--

7. During February 2025, the Customer Centre initiated engagement with FERU Officers on matters relating to the outstanding balance of CoA expiations. An initial meeting has resulted in agreement to:
 - Strengthen the information provided to FERU to better enable enforcement action to be undertaken, in particular in relation to identification details.
 - Investigate opportunities for sharing the relevant CoA database with FERU in real time
 - Gain a better understanding of what outstanding fines remain in the FERU database with a view to identifying serious and/or regular offenders
 - Developing a combined strategy to deal with the outstanding balance.
8. Administration has considered the findings and provided actions and time frames to address these findings as outlined in the findings section of the CoA's Penalty and Infringement Compliance Internal Audit report, **Attachment A**.

ATTACHMENTS

Attachment A – Penalty and Infringement Compliance Internal Audit

- END OF REPORT -

INTERNAL AUDIT REPORT: PENALTY & INFRINGEMENT COMPLIANCE

Prepared by: Annette Pianezzola, Risk & Audit Analyst

February 2025



TABLE OF CONTENTS

1.	Executive summary.....	1
2.	Objectives	1
3.	Scope.....	1
4.	Methodology.....	2
5.	Background.....	3
6.	Findings	5
7.	Consultation.....	6
8.	Summary of findings	7
	Appendix 1: Risk matrix of internal audit findings.....	21

Distribution			
For action:		For information and approval:	
Kathryn Goldy	Acting Manager, Governance	The City of Adelaide	Strategic Risk and Internal Audit Group
Steve Zaluski	Associate Director Regulatory Services	The City of Adelaide	Audit and Risk Committee
Martin Smallridge	Associate Director Customer & Marketing	Michael Sedgman	Chief Executive Officer

1. EXECUTIVE SUMMARY

In accordance with the 2024-25 Internal Audit Plan for the City of Adelaide (CoA), an internal audit focussing on Council's penalty and infringement assessment of compliance has been undertaken. The objective, scope, approach, and findings are outlined below.

2. OBJECTIVES

This internal audit project covered five key elements:

1. Assessment of the compliance through sample testing of Council-issued penalties and infringement notices under the various relevant Acts with a particular focus on cancelled or amended infringement notices
2. Delegations of Authority
3. Segregation of duties and conflicts of interests
4. Relationship with the Fines Enforcement and Recovery Unit (FERU)
5. Relationship with the Department for Infrastructure and Transport (DIT)

This review is included in the 2024-25 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 framework of penalty and infringement assessment.

3.1 Scope Topics

The seven main audit areas are:

- **Governance Framework** – Are relevant policies/procedures and guidelines in place to guide staff when issuing penalties and infringement notices? Are we adhering to legislative requirements?
- **Roles and Responsibilities** – What is the overall organisation structure, resources, roles and responsibilities? Is there a segregation of duties in place when reviewing an infringement notice to determine if it should be cancelled? Are the relevant delegations in place?
- **Compliance** – Are the processes in place for cancelling or amending penalties and infringement notices? Is this managed efficiently and effectively? Is the decision-making process documented when a penalty or infringement notice is cancelled or amended? Is the decision-making process documented when a late payment is applied to an infringement, and is this applied to all or by discretion? How are infringement notices recorded when they are applied in error?
- **Systems** – What systems are used to manage penalties and infringement notices? Is this managed in accordance with legislation?
- **Third-party relationships** – What is the role of FERU? What processes are in place in the recovery of penalties and infringements with the relevant State Government agency in particular when the debt is waived?
- **Benchmarking** – How does CoA compare to other local government agencies in their approach to issuing, cancelling or amending penalties and infringement notices?
- **Sample Testing** – Testing to be performed to ensure policies and procedures are being followed in line with legislation.

3.2 Timeframes

The scope was developed and approved by SRIA on 17 October 2024. The audit began in November 2024.

Consultation and meetings with relevant stakeholders occurred from November to December 2024 to gather and source information.

- Meetings with action owners and report finalisation occurred in February 2025.
- The report will be presented to SRIA in February 2025.
- The final report will be presented to the ARC in April 2025.

4. METHODOLOGY

The audit focused on the penalty and infringement assessment of compliance and processes against the following guidelines and procedures:

- *Local Government Act 1999 (SA)*
- *Private Parking Areas Act 1986*
- *Road Traffic Act 1961*
- *SA Expiation of Offences Act 1996*
- *Graffiti Control Act 2001*
- *Fire and Emergency Services Act 2005*
- *Local Nuisance and Litter Control Act 2016*
- *Environmental Protection Act 1993*
- *Dog and Cat Management Act 1995*
- *Food Act 2001*
- *Planning Development Infrastructure Act 2016*
- *Planning Development and Infrastructure (General) Regulations 2017*
- *South Australian Public Health Act 2011*
- Council By-Laws
- City Safety Compliance and Enforcement Policy
- City Safety Compliance and Enforcement Guideline
- Standard Operating Procedures for Parking and Information Officer Regulatory Services
- Various internal processes and procedures for parking and non-parking expiations.

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:
 - Customer and Marketing
 - Finance & Procurement
 - Regulatory Services
- Review relevant documentation associated with the penalty and infringement function.

- Review of enforcement processes including when expiations are transferred across to the Fines Enforcement and Recovery Unit.
- Role and responsibility of CoA and other government agencies.
- Benchmarking of expiations issued with other local government agencies.
- Sample testing of waived expiations.
- Identification of any performance improvement opportunities.

5. BACKGROUND

5.1 Benchmarking on Expiations

The City of Adelaide (CoA) adheres to several Acts and Regulations, and each business unit will ensure that business owners and members of the public comply with these Acts and Regulations. However, when required, expiations are generated and enforced if a section of the Act or Regulation is breached by the business owner or member of the public.

The CoA will issue a variety of infringements under the Acts and Regulations, and they can be categorised as follows:

- Parking
- Compliance
- Animal
- Local Nuisance and Litter

Over the course of a 3-year period, the following expiations were issued by CoA:

	2021/2022	2022/2023	2023/2024
Dog & Cat expiations	3	12	27
Local Government expiations	-	5	2
Local Nuisance and Litter expiations	4	3	6
Development Act expiations	1	1	-
By-Law expiations	2	1	3
Food Act expiations	6	2	7
Public Health (Legionella) expiations	2	-	2
Parking expiations	85,826	107,538	133,243

A benchmarking exercise was undertaken across South Australian and other capital city councils. The following expiations were issued over a 3-year period:

	2021/2022	2022/2023	2023/2024
City of West Torrens	8,810	7,691	19,926
The City of Norwood, Payneham & St Peters	10,778	10,601	10,621

City of Onkaparinga	979	1,325	3,988
City of Playford	4,745	4,428	2,562
City of Prospect	5,627	7,350	6,541
City of Port Adelaide Enfield	5,575	6,077	4,976
City of Sydney	152,386	250,046	273,960
City of Perth	66,702	67,133	61,638
Brisbane City Council	167,039	194,059	197,069
The City of Adelaide	85,844	107,562	133,290

If the infringement is not paid, reminder notices are sent out either by the Customer Centre to the member of the public or by the relevant business unit that maintains the relationship with the business owner. After the reminder notice is sent and the infringement has not been paid, then, after a set time period, the Enforcement Officer will enforce and transfer the expiation to FERU. FERU is a State Government agency that manages overdue fines and debts issued by South Australian state government agencies and it adheres to the *Fines Enforcement and Debt Recovery Act 2017*.

Expiations sent to FERU or equivalent:

	2021/2022	2022/2023	2023/2024
City of West Torrens	1,290	1,469	4,114
City of Onkaparinga	Approx. 24% of expiations issued are sent to FERU		
City of Playford	1,235	1,073	578
City of Prospect	On average about 90 expiations per month are sent to FERU		
City of Port Adelaide Enfield	84	106	109
City of Perth	17,239	12,250	12,629
Brisbane City Council	29,304	37,276	38,128
The City of Adelaide	9,975	9,752	12,202

FERU will receive the expiation from South Australian councils once local government agencies cannot recover the debt. However, for expiations issued by the City of Sydney, the debt is automatically transferred to Revenue NSW, which will manage it going forward. This is for all debts, even those paid within the first 28 days. The City of Perth and Brisbane City Council have a similar arrangement as CoA.

FERU requires a lodgement fee of \$23.40 per expiation; therefore, CoA has paid \$233,415 (2021/22), \$228,196.80 (2022/23), and \$285,526.80 (2023/24) over the past three years.

5.2 Essential Safety Provisions

Essential Safety Provisions (ESP) are legislated provisions relating to building fire safety. They require annual testing and maintenance, and building owners must submit forms to the Council to confirm the completion of maintenance.

Penalty & Infringement Compliance

There are more than 2000 buildings in CoA required to submit annual ESP maintenance forms to Council, known as 'Form 3s'. In 2022/2023, just 54 Form 3s were submitted to Council. In 2023/2024 Council appointed an ESP Officer and following the new role commencing, 128 Form 3s were submitted.

The low completion rate is not unique to CoA and is partly why legislative changes were made. Additionally, many building owners undertake ESP annual maintenance but do not submit the Form 3s documentation to Council.

In November 2024, Administration commenced formal communication with building owners and this was prioritised based on risk. This letter to business owners outlined their legislated responsibilities, the format for the new Form 3, and the timeframe required for submission. All 2000 buildings will be engaged through a prioritised approach, focusing on those buildings that present the highest risk to safety first. Approximately 100 building owners were notified in November and December 2024. The letter confirmed that expiations of \$750 per building will apply if ESP forms are not submitted correctly or in the required timeframe.

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
Increase in Essential Safety Provisions Expiations	Moderate
Lack of transparency in debt collection	Moderate
Procedures not reviewed	Low
Opportunity to utilise PinForce for non-parking expiations	Improvement Opportunity
Opportunity to request discounted search fees	Improvement Opportunity

7. CONSULTATION

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

- Martin Smallridge, Associate Director Customer & Marketing
- Robert Donoghue, Enforcement Officer
- Tammy Bria, Team Leader Customer Centre
- Anastasia Kallika, Team Leader Customer Centre
- Remi Layne, Senior Customer Service Representative
- Georgia Stoilov, Regulatory Services Project Officer
- Steph Paprzycki-Baker, Team Leader Community Safety
- Lisa Loveday, Manager City Safety
- Marc Lucas, Team Leader Building & Environmental Services
- Sharee Trenerry, Senior Business Partner
- Nicole Van Berkel, Acting Manager Finance & Procurement
- Karen Harvey, Team Leader Business Centre
- Raj Rajput, Performance & Operations Analyst
- Brooke Winter, Lead Customer Readiness
- Betty Sfyrios, Customer Advocate

8. SUMMARY OF FINDINGS

Ref #1 Increase in Essential Safety Provisions Expiations	Rating: Moderate
Description of finding	Agreed Actions
Identification: Section 94 of the <i>Planning, Development and Infrastructure (General) Regulations 2017</i> declares the Essential Safety Provisions – “(1) This regulation applies in relation to a building in which essential safety provisions are installed or required to be installed or to be inspected, tested or maintained under the Building Code or any former regulations under the <i>Building Act 1971</i> or the <i>Development Act 1993</i>. (3) In this regulation, a reference to maintenance in respect of essential safety provisions includes a reference to replacing the safety provisions, and to keeping records relating to the carrying out of maintenance work on the safety provisions. (4) A relevant authority or council must – (a) on granting a building consent in relation to the construction of a building to which this regulation applies; or (b) on the assignment of a change in the classification of a building to which this regulation applies in a case where there is no building work; or (c) on application by the owner of a building to which this regulation applies and payment of the prescribed fee; or (d) on issuing any other certification with respect to building work complying with the Building Rules in a case where this regulation applies,	1. A review of the enforcement approach will be conducted to confirm if existing resourcing will deliver the intended outcomes in a timeframe which is considered reasonable. Target Date: December 2025 2. Following the review of the enforcement approach, if required, a budget bid may be submitted to request additional resourcing to ensure all building schedules have been consolidated and enforced in a reasonable timeframe. Target date: June 2026

Issue a schedule in the form determined by the Chief Executive for the purposes of this regulation and published on the SA planning portal that specifies –

- (e) the essential safety provisions for the building; and
- (f) the standards or other requirements for maintenance and testing in respect of each of those essential safety provisions as set out in any relevant Ministerial building standard.

(5) A certificate of compliance must be provided for each essential safety provision that is specified under subregulation (4)(e).

(9) The owner of a building in relation to which a schedule of essential safety provisions has been issued must not use or permit the use of the building unless maintenance and testing have been carried out, on an annual basis, in respect of each essential safety provision of the building in accordance with the relevant Ministerial building standard in order to ensure that the essential safety provision is continuing to perform at least to the standard that was required when the essential safety provision was installed.

(10) The owner of a building to which subregulation (9) applies must, not later than 60 business days after the end of each calendar year, provide to council adequate proof of the carrying out of maintenance and testing in respect of each relevant essential safety provision for that calendar year.

(14) A person who fails to comply with a requirement under subregulations or guilty of an offence.
Maximum penalty: \$10,000
Expiation Fee: \$750”

Any building that is two stories high and is 500sqm or more must provide to Council a schedule of maintenance and testing that has been carried out for each relevant essential safety provision. For CoA to enforce this requirement in the Environment, Resources and Development Court, CoA is proactively assisting building owners in

consolidating all the maintenance and testing schedules of these provisions. It has been noted that many building owners have not maintained their records. The schedules are provided to the building owner so that their accuracy can be checked. Once confirmed, then in 12 months' time, CoA will follow up with the annual maintenance and testing certificates as per the Regulation. If the building owner is not compliant with the Regulation, then CoA will enforce the requirement. The onus is on the building owner to maintain the records, once CoA has passed over the schedules.

CoA has employed an Essential Safety Provisions (ESP) Coordinator who assists building owners in consolidating their maintenance schedules to be in line with the Essential Safety Provisions. The ESP Coordinator has managed to consolidate 100 of the 2000 (approximately) over a 12-month period. Not only is the ESP Coordinator consolidating the schedules but is also keeping the consolidated schedules up-to-date with any changes. In discussion with the team, it will take approximately 19 years to complete all buildings throughout the city.

This is a Local Government Association wide issue; however, CoA has taken positive steps forward to address this risk by employing a dedicated ESP Coordinator. The risk of progressing through the consolidation with the current resources is that building owners will not test and maintain essential safety provisions as per the Regulations. CoA is assisting building owners to set them up for success. However, approximately 1,900 buildings still need to consolidate their schedules.

Recommendation:

1. In the next 12 months, review and test the enforcement approach once the first lot of building schedules have been consolidated and handed back to the building owner.

2. Following the review and test of the enforcement approach, review the current resource implication to assist in progressing through these consolidations in a more timely manner.	
Position Responsible:	Associate Director Regulatory Services
Target Date:	As above



Ref #2 Lack of transparency in debt collection	Rating: Moderate
Description of finding	Agreed Actions
Identification: When a member of the public receives an expiation, the below process is followed before the expiation is forwarded to the FERU: • Initial expiations - given 28 days to pay. • If not paid within 28 days, a reminder notice with a due date of 14 days is generated and forwarded to them. • If not paid, a Notice of Intended Enforcement with a due date of 14 days is generated and forwarded to them. • The Enforcement Officer will complete an enforcement validation check and determine if the expiation should be enforced. This process usually takes place about 6 weeks to 2 months after the due date of the Notice of Intended Enforcement. • If the enforcement validation check has been approved, the expiation is forwarded to FERU. FERU is a State Government agency that manages overdue fines and debts issued by South Australian state government agencies. CoA has entered a Memorandum of Administrative Arrangement (MOAA) with FERU in Oct 2022, in which FERU would manage the debts on behalf of CoA. Part of the MOAA and key responsibility on behalf of FERU is maintaining key relationships with Issuing Authorities (CoA) 'working with Issuing Authorities to ensure relationship or engagement issues are resolved' and 'facilitating meetings and forums as required to maximise collaboration and achieve shared objectives'. In consultation with key stakeholders, only email correspondence is maintained, and infrequent meetings are held with FERU.	1. Initiate discussion with FERU to raise concerns to reduce balance of outstanding expiations and increased transparency of waived/written-off expiations. Target date: May 2025 2. Establish ongoing regular meetings between CoA and FERU to continue increase transparency, address and resolve issues regarding expiation income. Target date: June 2025

CoA receives monthly statements from FERU that summarise expenditures lodged, payments received, expenditures waived and written off (values and numbers), and enforcement reviews.

Below is a snapshot of expiations lodged, payments received, and expiations waived/written off over a 3-year period in terms of monetary value:

	2023/24	2022/23	2021/22	2020/21	2019/20
Expiations Lodged	\$2,429,906	\$1,547,266	\$1,682,048	\$1,392,500	\$1,141,628
Payments received	\$1,223,508	\$941,471	\$1,033,238	\$914,268	\$823,572
Waived	\$153,782	\$65,087	\$83,215	\$361,582	\$289,125
Written off	\$175,616	\$310,504	\$41,144	\$146,657	\$106,481
% waived / written off compared to lodged	14%	24%	7%	36%	35%

(Note: 2022/23 – missing statement for June 2023; 2021/22 – missing statement for June 2022; 2020/21 – missing statements for February 2021 & November 2020; 2019/20 – missing statements for July – August 2019 & November – December 2019)

An expiation debt is waived when the debt is determined to be completely extinguished and is finalised. This is performed in situations when FERU does not intend to pursue any further and can include circumstances such as:

- Deceased client
- Company client that has been deregistered
- Bankrupt client
- Error with the data provided by the Issuing Authority
- Recovery actions have been exhausted, and the debt is determined to be uneconomical to pursue
- The client is confirmed to be vulnerable or cognitively impaired

An expiation debt is written off when FERU has determined that all available options to pursue the debt have been investigated and they

will pursue no further. The difference is that FERU may decide to reinstate the debt in the future. Circumstances where a debt is written off include:

- The client is unlikely to be able to pay the outstanding debt in a reasonable timeframe and has committed to refrain from incurring further expiations
- The client has been determined to be uneconomical to pursue at this time
- The client cannot be located

FERU would provide a reason for waiving an expiation up until June 2022. From July 2022, this information was removed, and the statements only indicate a total figure that is waived or written off without any further explanation. However, there is no clarification or transparency of which debts have been paid or written off, only total figures are provided. CoA has no indication which fines/expiations have been waived, whether it is a parking or non-parking fine.

Significant numbers and values of expiations are revoked or waived each year however no detail is provided as to which ones have been revoked and why. It is noted that the fines sitting with FERU has cost CoA considerable expense, Parking Information Officer time to issue the fine, Customer Service Representative time to process the fine, Enforcement Officer to issue reminder notices and forward them to FERU. The cost to lodge a fine to FERU is \$22 each, irrespective of whether the fine is recovered or not. Therefore, the total cost of issuing and lodging a fine is estimated at \$200 per fine.

The risk of not providing further information such as the reason for waiving/writing off the debt or which debt it relates to, promotes repeat offenders to breach legislation continuously as they will know how to use the system for their benefit. Furthermore, there is no transparency as to which fines/expiations are waived or even an audit trail if it was questioned. If a reason is provided to CoA why a fine is waived/written off, then CoA can use this as an educational piece to

CoA staff when issuing or reviewing a fine prior to being forwarded to FERU. This will ensure time and cost savings. Recommendation: Initiate discussions and establish regular meetings with relevant key stakeholders between CoA and FERU to ensure issues are addressed and resolved, such as reducing the balance of outstanding expiations and transparency of waived/written-off expiations.	
Position Responsible:	Associate Director Customer & Marketing
Target Date:	As above

Ref #3 Procedures not reviewed	Rating: Low
Description of finding	Agreed Actions
Identification: Parking expiations are issued through PinForce (parking enforcement software) by the Parking Information Officer and then are managed by the Customer Centre and/or Enforcement Officer via the Pathway system (Council's enterprise resource planning system enabling local governments to manage regulatory services, land, property revenue and customer requests). For non-parking expiations, the relevant area identifies these expiations, but the Enforcement Officer creates and generates them via the Pathway system. Expiations are issued if a breach occurs against the relevant legislation. End-to-end procedures have been documented for parking and non-parking expiations, including those expiations that are transferred across to the FERU. In a review of the internal procedural documents, it was noted that some documents have not been reviewed in several years: • Printing of Enforcement Validation List – reviewed 13/01/2016 • Enforcement Validation Procedure – reviewed 18/06/2019 • FERU Update Procedure – reviewed 18/06/2019 • FERU Extract Procedure – reviewed 13/03/2020 • Elect to be Prosecuted Procedure – reviewed 27/02/2017 Since the last review of these documents, Pathway, the internal software for managing expiations, moved from an on-premises solution to a cloud-based solution in September 2022. Therefore, the overall Pathway experience has changed, such as the software interface, so the screenshots in the current procedures demonstrate the old Pathway system.	1. Review and update Standard Operating Procedures to reflect current processes, including software and review cycles. Target date: December 2025 2. Update the Creating an Expiation Procedure to include all non-parking expiations. Target date: December 2025 3. Confirm the review cycle for the On Street Parking Expiation Review & Withdrawal Guidelines and update the Guideline. Target date: June 2025 4. Consideration to creating procedures in a centralised repository such as Promapp. Target date: June 2025

In addition, one procedure, 'Creating an Expiation Procedure,' states, 'This is a process to create an expiation in Pathway when requested to by a member of the Community Safety Team.' In discussion with the Enforcement Officer, this procedure does cover the creation and generation of all non-parking expiations, including those not identified by the Community Safety Team, however, this is not clearly stipulated in the procedure.

Furthermore, the On Street Parking Expiation Review & Withdrawal Guidelines states two different review periods in the document: annually and January 2028.

It is imperative that procedures are reviewed regularly and in a timely manner to ensure that the information provided is up-to-date and accurate for the end user.

Recommendation:

1. Review all procedures and ensure that:
 - screenshots provided in the procedures reflect the current Pathway software
 - review cycles are documented
2. Update the Creating an Expiation Procedures to include all non-parking expiations.
3. Confirm the review cycle for the On Street Parking Expiation Review & Withdrawal Guidelines and update the Guideline.
4. Consideration to be given to create procedures in a centralised repository such as Promapp.

Position Responsible:	Associate Director Customer & Marketing
Target Date:	As above

Ref #4 Opportunity to utilise PinForce for non-parking expiations	Rating: Improvement Opportunity
Description of finding	Agreed Actions
Identification: Parking expiations are issued through PinForce (parking enforcement software) by the Parking Information Officer and then are managed by the Customer Centre and/or Enforcement Officer via the Pathway system (Council's enterprise resource planning system enabling local governments to manage regulatory services, land, property revenue and customer requests). For non-parking expiations, the relevant area identifies these expiations, but the Enforcement Officer creates and generates them via the Pathway system. These types of expiations will include (but are not limited to): • Animal infringements • Compliance infringements • Nuisance and litter infringements The relevant areas will undertake the inspections, and if a member of the public or business owner has breached the relevant section of the legislation, they can potentially be expiated under the relevant legislation. This information is then forwarded to the Enforcement Officer, with the relevant details to generate an expiation in Pathway. The Enforcement Officer will raise all expiations for CoA except parking infringements which is raised directly by the Parking Information Officer from PinForce. In consultation with key stakeholders, it was noted that PinForce can expiate more than parking infringements. PinForce is a mobile software application that allows Parking Information Officers to enforce infringements in the public realm efficiently via a smartphone and portable wireless printer. The software is currently interfaced with Pathway and can be tailored to customer requirements. Exploring the	Consideration will be given to expand the use of PinForce to confirm whether the software can be used to expiate non-parking infringements and suitable to CoA requirements. Target Date: December 2025

option to raise other expiations from PinForce directly will allow the Enforcement Officer to focus on enforcing the infringement rather than raising the initial expiation notice. Recommendation: Investigate the opportunity to expand the use of PinForce with non-parking expiations to enable efficiency.	
Position Responsible:	Associate Director Regulatory Services
Target Date:	As above

Ref #5 Opportunity to request discounted search fees	Rating: Improvement Opportunity
Description of finding	Agreed Actions
Identification: When a Parking Information Officer (PIO) issues the expiation, this is taped to the windscreen of the offending vehicle. If a person does not pay an expiation for an offence, they have committed under the <i>Expiation of Offences Act 1996</i> within 28 days of being issued, CoA will initiate a search request through Department of Infrastructure and Transport (DIT). Each time a search is performed, CoA is charged a fee of \$10.00 which can be on-charged to the owner of the vehicle under Section 11 (3) of the <i>Expiation of Offences Act 1996</i>: If a reminder notice is given to an alleged offender, the prescribed reminder notice fee will be added to the unpaid expiation fee and, for the purposes of this Act and the <i>Fines Enforcement and Debt Recovery Act 2017</i>, forms part of that fee. However, CoA also issues expiations via the SenSen vehicle. This vehicle is part of the CoA smart parking platform that assists PIOs by identifying vehicles that have committed an offence under the <i>Expiation of Offences Act 1996</i>. A PIO drives the vehicle through the streets of Adelaide, and the vehicle's SenSen technology will identify and capture any vehicles that have breached the legislation. The data is then reviewed back in the office to check for accuracy. Once confirmed that an offence has been committed a search is performed via the DIT platform to identify the owner of the vehicle to issue to expiation. The search fee is charged to CoA, however as this is the initial expiation, CoA is unable to on-charge this fee to the offending vehicle. Council is only able to on-charge search fees for reminder notices, not the initial expiation that is posted out to the owner of the vehicle.	1. Initiate discussions with DIT for CoA to enter into an agreement for discounted search fees. Target date: June 2025

By utilising the SenSen vehicle and smart technology, the risk exposure to aggressive behaviour by members of the public towards PIOs has been reduced, and the vehicle is covering more ground in short time periods, including protecting the well-being of PIOs on hot days and in unsafe environments. With the increased usage of the SenSen vehicle throughout the city and North Adelaide, search fees will increase. They currently cost \$10 per search. There is an opportunity to seek an agreement with DIT for a discounted fee for the CoA. Recommendation: Commence discussions with DIT for CoA to enter into an agreement for discounted search fees.	
Position Responsible:	Associate Director Customer & Marketing
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	The finding represents a control weakness that could adversely impact the business and the ability to meet objectives. • 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	The finding represents a control weakness that could adversely impact the business and the ability to meet objectives. • 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	The finding represents a control weakness that could negatively impact the business and the ability to meet objectives. • 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 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	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. • 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 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.

Treasury Policy, Future Fund and Investment Policy Review

Strategic Alignment - Our Corporation

Public

Friday, 11 April 2025

Audit and Risk Committee

Program Contact:

Nicole Van Berkel, Acting
Manager Finance & Procurement

Approving Officer:

Anthony Spartalis, Chief
Operating Officer

EXECUTIVE SUMMARY

This report was presented to the City Finance and Governance Committee on 18 March 2025, which recommended that Audit and Risk Committee feedback be sought on the updated Treasury Policy and updated Future Fund & Investment Policy prior to Council adoption.

Treasury Policy

The Treasury Policy (the Policy) ensures that Treasury activities are undertaken in accordance with legislative responsibilities under the *Local Government Act 1999 (SA)* (the Act). Council adopted the current Policy in January 2022, and a scheduled review has been conducted. The current Policy is shown here [Link 1](#).

The review (including consideration of sections 123 and 134 of the Act) indicated no substantive amendments were needed beyond clarity edits. However a more comprehensive revision is planned in the next 12 months.

The proposed Treasury Policy with tracked changes is shown in **Attachment A**. The proposed revised Treasury Policy is shown in **Attachment B**.

Future Fund and Investment Policy

The Future Fund & Investment Policy (the FFI Policy) outlines the purpose of Council's Future Fund, the type of investments Council will undertake, and guides evaluation of investments. Council adopted the current Policy in January 2022, and a scheduled review has been conducted. The current Policy is shown here [Link 2](#).

The review recommends no substantive amendments, but has clarified and simplified wording of the current policy, and proposes changing the policy name to **Future Fund Reserve Policy** to better reflect its scope and nature.

The proposed Future Fund Reserve Policy with tracked changes is shown in **Attachment C**. The proposed revised Future Fund Reserve Policy is shown in **Attachment D**.

A table of the key changes and comments for both Policies is included in **Attachment E**.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

THAT COUNCIL

1. Notes Audit and Risk Committee feedback on the updated Treasury Policy as contained in Attachment B to Item 6.5 on the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025.
2. Notes Audit and Risk Committee feedback on the updated Future Fund Reserve Policy (formerly "Future Fund & Investment Policy") as contained in Attachment D to Item 6.5 on the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025.
3. Notes the table summarising changes made to the Treasury Policy and Future Fund Reserve Policy (formerly "Future Fund & Investment Policy") as contained in Attachment E to Item 6.5 on the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025.

4. Authorises the Chief Executive Officer (or delegate) to make minor, typographical, syntactical and technical updates to the Treasury Policy as contained in Attachment B, and the Future Fund Reserve Policy (formerly “Future Fund & Investment Policy”) as contained in Attachment D to Item 6.5 on the Agenda for the meeting of the Audit and Risk Committee held on 11 April 2025 to finalise the document.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Create, maintain and integrate plans and policies that reflect, and guide decision making and support our city and our community to thrive.
Policy	This report proposes minor changes to the existing Treasury Policy. The review recommends no substantive amendments to the Future Fund Reserve Policy (formerly Future Fund & Investment Policy) but has clarified and simplified wording of the current policy and proposes changing the policy name to Future Fund Reserve Policy to better reflect its scope and nature.
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Section 132A of the <i>Local Government Act 1999 (SA)</i> (the Act) requires Council to have appropriate policies, practices and procedures implemented and maintained in order- 1. to ensure compliance with any statutory requirements; and 2. to achieve and maintain standards of good public administration Section 123 of the Act authorises the entry into borrowings up to the amount specified in the annual business plan and budget. Section 134 of the Act defines the requirements around council borrowings and related financial arrangements.
Opportunities	Not as a result of this report
24/25 Budget Allocation	Not as a result of this report
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

Treasury Policy

1. The Treasury Policy (the Policy) is scheduled to be reviewed every two years. The most recent review of the Treasury Policy was in 2022.
2. The Policy defines and regulates Council's borrowing and related financial arrangements, and how this is to be conducted, guided by section 123 and section 134 of the *Local Government Act 1999 (SA)* (the Act).
3. The recent review (including consideration of relevant sections of the Act) indicated no substantive amendments were needed at this time beyond clarity edits. However a more comprehensive revision will be completed in the next 12 months to consider reviewing and refining the following elements in the context of current and forecast economic, financial and budgetary circumstances:
 - 3.1. guidelines for managing the council's financial assets, liabilities, and cash flow to ensure optimal liquidity, minimise risk, and maximise financial returns;
 - 3.2. strategies for cash and debt management, borrowing, and investments (including criteria for selecting financial instruments and counterparties);
 - 3.3. roles and responsibilities of staff involved in treasury activity; and
 - 3.4. risk management procedures to mitigate interest rate, credit, and liquidity risks;
 - 3.5. compliance with legal and regulatory requirements;
 - 3.6. monitoring, reporting, and review processes to ensure transparency and accountability in treasury operations.
4. The updated Policy with tracked changes can be viewed at **Attachment A**.
5. The Policy will now be scheduled for review every four years in line with the term of Council.

Future Fund Reserve Policy (formerly Future Fund & Investment Policy)

6. The Future Fund & Investment Policy (the FFI Policy) is scheduled to be reviewed every two years. The most recent review of the Policy was in 2022.
7. The FFI Policy defines the operation of the Future Fund Reserve, types of investments Council may undertake in order to drive development of revenue streams, and guide evaluation of these investments.
8. The review recommends no substantive amendments, but has clarified and simplified wording of the current policy, including the recognition of the Future Fund Reserve as an equity reserve, and proposes changing the policy name to Future Fund Reserve Policy to better reflect its scope.
9. The updated FFI Policy with tracked changes can be viewed at **Attachment C**, and without tracked changes at Attachment D.
10. The Policy will now be scheduled for review every four years in line with the term of Council.

Summary of changes made to the two policies

11. Changes made to the Treasury Policy and the Future Fund Reserve Policy are summarised in a table of key changes and comments (**Attachment E**).

DATA AND SUPPORTING INFORMATION

Link 1 - Treasury Policy (January 2022) [Link 1](#).

Link 2 - Future Fund and Investment Policy (January 2022) [Link 2](#)

ATTACHMENTS

Attachment A –Treasury Policy – Tracked changes

Attachment B –Treasury Policy – Revised no tracked changes

Attachment C – Future Fund Reserve Policy (formerly “Future Fund & Investment Policy”) - Tracked changes

Attachment D – Future Fund Reserve Policy – Revised no tracked changes

Attachment E - Treasury Policy and Future Fund Reserve Policy (formerly “Future Fund & Investment Policy”) - table of key changes and comments

- END OF REPORT -

TREASURY POLICY

~~27-28~~ January-March 2022~~5~~

~~COUNCIL~~legislative

PURPOSE

The objective of the Treasury Policy is to ensure that Treasury activities are in accordance with its legislative responsibilities under the *Local Government Act 1999* [\(SA\)](#) and common law responsibilities and to ensure the long-term financial sustainability of Council. Treasury activities will therefore be managed to ensure the clear, prudent, cost-effective and comprehensive management of Council's financial risks while reflecting the needs of stakeholders.

Operational risk, arising from the management of financial risk, is implicitly addressed through this Policy and includes appropriate segregation of duties, maintenance of accurate records, reconciliation of key accounts, and monitoring of financial risk management activities by senior management and Council.

The key financial risks this policy seek to address are:

- Liquidity Risk
- Borrowing Risk
- Cash Investment Risk
- Interest Rate Risk
- Foreign Currency Risk
- Credit Risk.

STATEMENT

To achieve the purpose, financial risks are managed centrally to ensure alignment with Council's Strategic objectives. This enables Council to optimise access to debt capital and ensure that Treasury operates within a controlled environment.

In assessing and addressing risk the following must be considered:

- Council's 'risk appetite'
- 'User pays' and inter-generational equity principles
- The ability to service debt
- Speculative transactions are not permitted.

Application of this document

This document is approved by Council and no part of the document may be amended without Council approval.

The approved document includes the body of the document and any explanatory documents.

The policy is to be reviewed and approved by Council on a biennial basis.

The policy is applicable to the whole organisation including any wholly owned subsidiaries.

Type of Borrowings

Council's net borrowing requirements will be reviewed annually as part of the Business Plan and Budget development and update of the Long-Term Financial Plan.

Borrowings may be structured as a mixture of short and long-term, fixed and floating interest rates. Borrowings for revenue-generating investments should match the business case assumptions.

For administrative efficiency, surplus cash or short-term borrowings may be utilised during the construction phase of major projects, consistent with a holistic approach to cash management.

The level of overall borrowing that Council can sustain will consider the following:

- strategic planning for the future of the Council, covering short, medium and long-term spending and investment requirements
- current and estimated future revenues and the ability to increase the revenue stream through rates growth, user charges, additional grant funds or business activities
- that borrowings can be a critical component of the funding mix to enable Council to respond to immediate, unforeseen pressures, and to leverage future opportunities, including matching external grant funding for revenue generating assets, strategic infrastructure works, and non-revenue generating projects
- that the use of borrowings to fund capital expenditure can be effective in linking the payment for an asset to the successive ratepayer base who will benefit over the life of that asset. This user pays matching concept is known as inter-generational equity
- current and future funding needs for both operating and capital expenditures
- the 'risk appetite' of Council, as defined by Council's prudential limits
- that the achievement of a low level of debt or even debt free status should not be primary goals in and of themselves, rather that long-term financial strategies should aim for a financial structure where annual operational expenditure and asset renewals are met from annual funding sources such as rates, fees and charges or operating grants.

Prudential Limit

The maximum level of debt is prescribed by Council by way of prudential limits. While Council does not place a physical monetary limit on the level of borrowings, an upper limit is determined through its financial indicators. When borrowing, Council will consider these financial indicators.

Council will **not** borrow funds when such borrowing would result in any of the following financial ratios being exceeded:

Interest Expense Ratio:	Maximum: 10% of general rates revenue
Leverage Test Ratio:	Maximum: 1.5 years of general rates revenue
Asset Test Ratio:	Maximum: 50% of saleable assets

These ratios are to be included in the Business Plan and Budget document adopted by Council.

Repayment of Borrowings

The term of borrowings should match the need for funds. Short-term borrowings (less than one year) may be used to manage seasonal cash flow fluctuations.

Longer-term borrowings are to be managed holistically and should be paid down in line with Council's Long-term Financial Plan.

As a guide, the debt term for each type of borrowing should be as follows:

- Council's capital requirements assume repayment of principle and interest over 20 years, including major infrastructure projects and land banking,
- Commercial Investment will assume repayment of principle and interest as defined in the business case.

Liquidity Risk Management

Council's bank account balance is to be kept at a level no greater than is required to meet immediate working capital requirements. Any surplus funds are to be applied to reduce debt or invested to generate interest income.

Council's net borrowing requirements will be reviewed annually as part of the Business Plan and Budget development and update of the Long-Term Financial Plan and following the quarterly re-forecasting of Budgets.

Council will hold, as a minimum, enough borrowing facilities to meet projected net debt levels for the next twelve months.

Total long-term borrowing facilities should be within the prudential limits calculated at the time facilities are sought.

Borrowing Risk Management

To manage the risk associated with Borrowings:

- Council approval is required for all new loans, as per Section 44 (3)(c) of the *Local Government Act 1999* [\(SA\)](#)
- Council's budget will limit borrowings and other forms of financial accommodation for a financial year up to an amount specified in the budget, as per Section 123 (7a) of the *Local Government Act 1999* (SA)
- Loans are to be provided by institutions with long term Standard ~~and~~ Poor's (or equivalent) credit ratings of 'A' (Authorised Borrowing Institutions) or better
- All new loans are to be tendered to at least three Authorised Borrowing Institutions.

Cash Investment Risk Management

Funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, will be invested.

Cash investments must not be speculative in nature.

Without further approval from Council, cash investments are limited to 'approved investments', including:

- Deposits with the Local Government Finance Authority
- Bank accepted / endorsed bank bills
- Bank negotiable Certificate of Deposits
- Authorised Deposit Taking Institutions interest bearing deposits
- State / Commonwealth Government Bonds.

Of the cash Investments above, the investment spread must meet the following limits:

- Up to 100% of investments with A-1 rated (Standard ~~&and~~ Poor's, or equivalent) organisations
- Up to 25% of investments with A-2 rated (Standard ~~&and~~ Poor's, or equivalent) organisations for periods of 90 days or less, an
- No more than \$20,000,000 invested with any individual rated organisation.

Subject to compliance with legislation, Treasury Policy objectives and parameters; and a competitive return, the City of Adelaide will preference investment securities and financial institutions which do not invest in the fossil fuel industry.

Interest Rate Risk Management

- Borrowings will be held and managed on a holistic basis
- Borrowings may be structured as a mix of short and long-term loans with fixed and floating interest rates
- Investments and borrowings will be actively managed to minimise net interest costs
- Investments and borrowings should have a variety of maturity dates in order to spread exposure to interest rate movements and manage cash flow requirements.

Foreign Currency Risk Management

Potential sources of Council's foreign currency exposure include:

- Purchases of goods and services in a foreign currency
- Purchases of capital equipment priced in foreign currency, or subject to price change due to relative movements in exchange rates.

Foreign currency hedges (in the form of forward exchange contracts) may be used to mitigate the risks of significant adverse currency movements but must not be speculative in nature.

Foreign exchange options and other derivative instruments will not be used.

The Procurement function should notify Treasury as soon as any potential foreign currency exposures are identified. Foreign currency exposures in excess of AUD 100,000 must be hedged.

Hedges will be taken out with institutions holding a minimum Short-Term rating of A-2 or better, (Standard & Poor's or equivalent). Treasury must obtain quotes from at least two unrelated financial institutions, to ensure best value is achieved.

Credit Risk Management

Credit risk may arise from financial institutions with whom Council has borrowings or cash deposits, customers and members of the public who have a financial liability to Council, or suppliers contracted to deliver a service or project.

To mitigate avoidable credit risks:

- Borrowings will only be held with financial institutions with long-term Standard & Poor's (or equivalent) credit ratings of A or better
- Cash deposits will only be held with financial institutions with short-term Standard & Poor's (or equivalent) credit ratings of A-2 or better
- Where required by Procurement Policy, key suppliers will be subject to independent credit assessment (e.g. ~~Dun & Bradstreet report~~) prior to awarding new contracts
- Payments to suppliers in advance of delivery are subject to approval by Council's Procurement Manager.
- Councils debt collection guidelines ensure effective interventions to reduce events of credit to customers.

Authorised Arrangements

The Treasury function should actively seek to minimise the number of different bank accounts operated by Council or its business entities. Opening and closure of bank accounts may only proceed with written authorisation from the Chief Executive Officer.

All new borrowing arrangements will be approved by Council, as required by Section 44 (3)(c) of the *Local Government Act 1999* [\(SA\)](#). The power to borrow money cannot be delegated from the Council itself.

Council approval of borrowing requirements for the upcoming year is included in the Business Plan and Budget adoption. Details of the effects of the new borrowings on the applicable borrowing ratios are to be provided with the budget documentation, including the trend of these ratios in the Long-Term Financial Plan.

Where the required borrowing has increased following a Council approved quarterly re-forecast, this will constitute Council approval for the additional borrowings.

Reporting Requirements

Monthly a Borrowings & Cash Investments Summary will be provided to the Executive Leadership outlining the following:

- for each borrowing and cash investment - the balance of funds, its interest rate and maturity date, and changes in the balance since the previous report
- a summary of interest income and expenditure variance from budget for the month and year to date

- Prudential limit ratios monitored [daily-weekly](#) and reported at the end of each month
- a summary of foreign currency exposures, hedges in place at reporting date, and details of any new or executed hedges for the month and year to date.

Quarterly a report on borrowing and cash investment performance will be included as part of the quarterly budget review to Council. The report will highlight:

- for each borrowing and cash investment - the balance of funds, its interest rate and maturity date, and changes in the balance since the previous report
- the proportion of fixed interest rate and variable interest rate borrowings at the end of the reporting period
- a summary of interest income and expenditure variance from budget for the quarter and year to date
- Prudential limit ratios monitored daily and reported at the end of each quarter
- a summary of foreign currency exposures, hedges in place at reporting date, and details of any new or executed hedges for the quarter and year to date.

Prudential limit ratios are included in the Business Plan and Budget document adopted by Council.

Any breaches of the Prudential limits will be reported with remediation actions to CEO immediately and reported as part of the quarterly report on borrowing and cash investment performance.

OTHER USEFUL DOCUMENTS

related documents

- Future Fund [Reserves Policy](#) and [Investment Policy](#)
- Debt Collection Guidelines
- Procurement Policy

relevant legislation

- [Local Government Act \(SA\) 1999 \(SA\)](#)
- [Local Government \(Financial Management\) Regulations 2011](#)
- [Banking Act 1959 \(Cwlth\)](#)

GLOSSARY

Throughout this document, the below terms have been used and are defined as:

Asset Test Ratio: The percentage of total borrowings to Council's saleable property assets. Calculated as:

Total Borrowings/Total Saleable Property Assets

('Saleable Property Assets' = Total Real Property Assets LESS Landmark Public Buildings, Park Lands and Buildings on Park Lands)

Authorised Deposit Taking Institutions: financial institutions in Australia which are supervised by the Australian Prudential Regulation Authority (APRA) and authorised under the Banking Act 1959 (Cwlth) to accept deposits from the public.

Borrowing Risk: That Council is unable to secure borrowed funds when required.

Cash Investment Risk: Cash investment funds are not preserved resulting in Council suffering financial loss from investment activities.

Credit Risk: The risk of financial loss occurring from a counterparty in a transaction with Council being unable or unwilling to meet its obligations.

Foreign Currency Risk: The risk of financial loss due to variation in rates of exchange used to convert foreign currency transactions.

Interest Expense Ratio: Measures the affordability of Councils debt and articulates the proportion of Councils general rate income that is being used to service debt. Calculated as: *Interest Expense/General Rates Revenue*

Interest Rate Risk: The risk of financial loss from adverse movements in interest rates applicable to borrowings and/or cash investments.

Inter-Generational Equity: When assessing investment & borrowing decisions, the consideration given for the "generation of rate payers" who will derive the substantive benefits versus those who will ultimately pay (through Council rates and user charges).

Leverage Test Ratio: Provides a consistent basis to measure capacity to repay borrowings relative to general rates revenue. Calculated as: *Total Borrowings/General Rates Revenue*

Liquidity Risk: That Council have a lack of available funds to meet short-term financial commitments.

Standard & Poor's rating: A Standard & Poor's issued credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program. Credit ratings issued can be either long-term or short-term.

Speculative Investment: An investment that carries a high level of risk of loss or is deemed hazardous to the Council.

Long-term Obligation Ratings

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

Short-term Obligation Ratings

A-1

A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this

category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2

A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

ADMINISTRATIVE —As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed for currency at least annually as part of the review of delegations.

This Policy document will be reviewed every **42** years [in line with the term of council](#) unless legislative or operational change occurs beforehand. The next review is required in [January March 2024297](#).

Review history:

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
ACC2025/TBD???	Council	25 March 2025???	Minor updates
ACC2022/2800	Council	27/01/22 / 21513	Removal of Future Fund from this policy and minor edits.
ACC2020/173755	Council	10/11/20	Inclusion of Future Fund
ACC2020/89630	Council	23/6/20	Minor updates
ACC2018/163534	Council	11/12/18	Minor updates
ACC2014/30423	Council	22/10/13	Minor updates

Contact:

For further information contact the Finance and Procurement Program

City of Adelaide
25 Pirie [Street](#), Adelaide, SA
GPO Box 2252 ADELAIDE SA 5001
+61 8 8203 7203
customerity@cityofadelaide.com.au

TREASURY POLICY

25 March 2025

legislative

PURPOSE

The objective of the Treasury Policy is to ensure that Treasury activities are in accordance with its legislative responsibilities under the *Local Government Act 1999 (SA)* and common law responsibilities and to ensure the long-term financial sustainability of Council. Treasury activities will therefore be managed to ensure the clear, prudent, cost-effective and comprehensive management of Council's financial risks while reflecting the needs of stakeholders.

Operational risk, arising from the management of financial risk, is implicitly addressed through this Policy and includes appropriate segregation of duties, maintenance of accurate records, reconciliation of key accounts, and monitoring of financial risk management activities by senior management and Council.

The key financial risks this policy seek to address are:

- Liquidity Risk
- Borrowing Risk
- Cash Investment Risk
- Interest Rate Risk
- Foreign Currency Risk
- Credit Risk.

STATEMENT

To achieve the purpose, financial risks are managed centrally to ensure alignment with Council's Strategic objectives. This enables Council to optimise access to debt capital and ensure that Treasury operates within a controlled environment.

In assessing and addressing risk the following must be considered:

- Council's 'risk appetite'
- 'User pays' and inter-generational equity principles
- The ability to service debt
- Speculative transactions are not permitted

Application of this document

This document is approved by Council and no part of the document may be amended without Council approval.

The approved document includes the body of the document and any explanatory documents.

The policy is to be reviewed and approved by Council on a biennial basis.

The policy is applicable to the whole organisation including any wholly owned subsidiaries.

Type of Borrowings

Council's net borrowing requirements will be reviewed annually as part of the Business Plan and Budget development and update of the Long-Term Financial Plan.

Borrowings may be structured as a mixture of short and long-term, fixed and floating interest rates. Borrowings for revenue-generating investments should match the business case assumptions.

For administrative efficiency, surplus cash or short-term borrowings may be utilised during the construction phase of major projects, consistent with a holistic approach to cash management.

The level of overall borrowing that Council can sustain will consider the following:

- strategic planning for the future of the Council, covering short, medium and long-term spending and investment requirements
- current and estimated future revenues and the ability to increase the revenue stream through rates growth, user charges, additional grant funds or business activities
- that borrowings can be a critical component of the funding mix to enable Council to respond to immediate, unforeseen pressures, and to leverage future opportunities, including matching external grant funding for revenue generating assets, strategic infrastructure works, and non-revenue generating projects
- that the use of borrowings to fund capital expenditure can be effective in linking the payment for an asset to the successive ratepayer base who will benefit over the life of that asset. This user pays matching concept is known as inter-generational equity
- current and future funding needs for both operating and capital expenditures
- the 'risk appetite' of Council, as defined by Council's prudential limits
- that the achievement of a low level of debt or even debt free status should not be primary goals in and of themselves, rather that long-term financial strategies should aim for a financial structure where annual operational expenditure and asset renewals are met from annual funding sources such as rates, fees and charges or operating grants.

Prudential Limit

The maximum level of debt is prescribed by Council by way of prudential limits. While Council does not place a physical monetary limit on the level of borrowings, an upper limit is determined through its financial indicators. When borrowing, Council will consider these financial indicators.

Council will **not** borrow funds when such borrowing would result in any of the following financial ratios being exceeded:

Interest Expense Ratio:	Maximum: 10% of general rates revenue
Leverage Test Ratio:	Maximum: 1.5 years of general rates revenue
Asset Test Ratio:	Maximum: 50% of saleable assets

These ratios are to be included in the Business Plan and Budget document adopted by Council.

Repayment of Borrowings

The term of borrowings should match the need for funds. Short-term borrowings (less than one year) may be used to manage seasonal cash flow fluctuations.

Longer-term borrowings are to be managed holistically and should be paid down in line with Council's Long-term Financial Plan.

As a guide, the debt term for each type of borrowing should be as follows:

- Council's capital requirements assume repayment of principle and interest over 20 years, including major infrastructure projects and land banking,
- Commercial Investment will assume repayment of principle and interest as defined in the business case.

Liquidity Risk Management

Council's bank account balance is to be kept at a level no greater than is required to meet immediate working capital requirements. Any surplus funds are to be applied to reduce debt or invested to generate interest income.

Council's net borrowing requirements will be reviewed annually as part of the Business Plan and Budget development and update of the Long-Term Financial Plan and following the quarterly re-forecasting of Budgets.

Council will hold, as a minimum, enough borrowing facilities to meet projected net debt levels for the next twelve months.

Total long-term borrowing facilities should be within the prudential limits calculated at the time facilities are sought.

Borrowing Risk Management

To manage the risk associated with Borrowings:

- Council approval is required for all new loans, as per Section 44 (3)(c) of the *Local Government Act 1999 (SA)*
- Council's budget will limit borrowings and other forms of financial accommodation for a financial year up to an amount specified in the budget, as per Section 123 (7a) of the *Local Government Act 1999 (SA)*
- Loans are to be provided by institutions with long term Standard & Poor's (or equivalent) credit ratings of 'A' (Authorised Borrowing Institutions) or better
- All new loans are to be tendered to at least three Authorised Borrowing Institutions.

Cash Investment Risk Management

Funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, will be invested.

Cash investments must not be speculative in nature.

Without further approval from Council, cash investments are limited to 'approved investments', including:

- Deposits with the Local Government Finance Authority
- Bank accepted / endorsed bank bills
- Bank negotiable Certificate of Deposits
- Authorised Deposit Taking Institutions interest bearing deposits
- State / Commonwealth Government Bonds.

Of the cash Investments above, the investment spread must meet the following limits:

- Up to 100% of investments with A-1 rated (Standard & Poor's, or equivalent) organisations
- Up to 25% of investments with A-2 rated (Standard & Poor's, or equivalent) organisations for periods of 90 days or less, and
- No more than \$20,000,000 invested with any individual rated organisation.

Subject to compliance with legislation, Treasury Policy objectives and parameters; and a competitive return, the City of Adelaide will preference investment securities and financial institutions which do not invest in the fossil fuel industry.

Interest Rate Risk Management

- Borrowings will be held and managed on a holistic basis
- Borrowings may be structured as a mix of short and long-term loans with fixed and floating interest rates
- Investments and borrowings will be actively managed to minimise net interest costs
- Investments and borrowings should have a variety of maturity dates in order to spread exposure to interest rate movements and manage cash flow requirements.

Foreign Currency Risk Management

Potential sources of Council's foreign currency exposure include:

- Purchases of goods and services in a foreign currency
- Purchases of capital equipment priced in foreign currency, or subject to price change due to relative movements in exchange rates.

Foreign currency hedges (in the form of forward exchange contracts) may be used to mitigate the risks of significant adverse currency movements but must not be speculative in nature.

Foreign exchange options and other derivative instruments will not be used.

The Procurement function should notify Treasury as soon as any potential foreign currency exposures are identified. Foreign currency exposures in excess of AUD 100,000 must be hedged.

Hedges will be taken out with institutions holding a minimum Short-Term rating of A-2 or better, (Standard & Poor's or equivalent). Treasury must obtain quotes from at least two unrelated financial institutions, to ensure best value is achieved.

Credit Risk Management

Credit risk may arise from financial institutions with whom Council has borrowings or cash deposits, customers and members of the public who have a financial liability to Council, or suppliers contracted to deliver a service or project.

To mitigate avoidable credit risks:

- Borrowings will only be held with financial institutions with long-term Standard & Poor's (or equivalent) credit ratings of A or better
- Cash deposits will only be held with financial institutions with short-term Standard & Poor's (or equivalent) credit ratings of A-2 or better
- Where required by Procurement Policy, key suppliers will be subject to independent credit assessment prior to awarding new contracts
- Payments to suppliers in advance of delivery are subject to approval by Council's Procurement Manager.
- Councils debt collection guidelines ensure effective interventions to reduce events of credit to customers.

Authorised Arrangements

The Treasury function should actively seek to minimise the number of different bank accounts operated by Council or its business entities. Opening and closure of bank accounts may only proceed with written authorisation from the Chief Executive Officer.

All new borrowing arrangements will be approved by Council, as required by Section 44 (3)(c) of the *Local Government Act 1999 (SA)*. The power to borrow money cannot be delegated from the Council itself.

Council approval of borrowing requirements for the upcoming year is included in the Business Plan and Budget adoption. Details of the effects of the new borrowings on the applicable borrowing ratios are to be provided with the budget documentation, including the trend of these ratios in the Long-Term Financial Plan.

Where the required borrowing has increased following a Council approved quarterly re-forecast, this will constitute Council approval for the additional borrowings.

Reporting Requirements

Monthly a Borrowings & Cash Investments Summary will be provided to the Executive Leadership outlining the following:

- for each borrowing and cash investment - the balance of funds, its interest rate and maturity date, and changes in the balance since the previous report
- a summary of interest income and expenditure variance from budget for the month and year to date

- Prudential limit ratios monitored weekly and reported at the end of each month
- a summary of foreign currency exposures, hedges in place at reporting date, and details of any new or executed hedges for the month and year to date.

Quarterly a report on borrowing and cash investment performance will be included as part of the quarterly budget review to Council. The report will highlight:

- for each borrowing and cash investment - the balance of funds, its interest rate and maturity date, and changes in the balance since the previous report
- the proportion of fixed interest rate and variable interest rate borrowings at the end of the reporting period
- a summary of interest income and expenditure variance from budget for the quarter and year to date
- Prudential limit ratios monitored daily and reported at the end of each quarter
- a summary of foreign currency exposures, hedges in place at reporting date, and details of any new or executed hedges for the quarter and year to date.

Prudential limit ratios are included in the Business Plan and Budget document adopted by Council.

Any breaches of the Prudential limits will be reported with remediation actions to CEO immediately and reported as part of the quarterly report on borrowing and cash investment performance.

OTHER USEFUL DOCUMENTS

related documents

- Future Fund Reserves Policy
- Debt Collection Guidelines
- Procurement Policy

relevant legislation

- *Local Government Act 1999 (SA)*
- *Local Government (Financial Management) Regulations 2011*
- *Banking Act 1959 (Cwlth)*

GLOSSARY

Throughout this document, the below terms have been used and are defined as:

Asset Test Ratio: The percentage of total borrowings to Council's saleable property assets. Calculated as:

Total Borrowings/Total Saleable Property Assets

('Saleable Property Assets' = Total Real Property Assets LESS Landmark Public Buildings, Park Lands and Buildings on Park Lands)

Authorised Deposit Taking Institutions: financial institutions in Australia which are supervised by the Australian Prudential Regulation Authority (APRA) and authorised under the Banking Act 1959 (Cwlth) to accept deposits from the public.

Borrowing Risk: That Council is unable to secure borrowed funds when required.

Cash Investment Risk: Cash investment funds are not preserved resulting in Council suffering financial loss from investment activities.

Credit Risk: The risk of financial loss occurring from a counterparty in a transaction with Council being unable or unwilling to meet its obligations.

Foreign Currency Risk: The risk of financial loss due to variation in rates of exchange used to convert foreign currency transactions.

Interest Expense Ratio: Measures the affordability of Councils debt and articulates the proportion of Councils general rate income that is being used to service debt. Calculated as: *Interest Expense/General Rates Revenue*

Interest Rate Risk: The risk of financial loss from adverse movements in interest rates applicable to borrowings and/or cash investments.

Inter-Generational Equity: When assessing investment & borrowing decisions, the consideration given for the "generation of rate payers" who will derive the substantive benefits versus those who will ultimately pay (through Council rates and user charges).

Leverage Test Ratio: Provides a consistent basis to measure capacity to repay borrowings relative to general rates revenue. Calculated as: *Total Borrowings/General Rates Revenue*

Liquidity Risk: That Council have a lack of available funds to meet short-term financial commitments.

Standard & Poor's rating: A Standard & Poor's issued credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program. Credit ratings issued can be either long-term or short-term.

Speculative Investment: An investment that carries a high level of risk of loss or is deemed hazardous to the Council.

Long-term Obligation Ratings

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

Short-term Obligation Ratings

A-1

A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this

category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2

A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

ADMINISTRATIVE

As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed for currency at least annually as part of the review of delegations.

This Policy document will be reviewed every **4** years in line with the term of council unless legislative or operational change occurs beforehand. The next review is required in **2029**.

Review history:

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
ACC2025/TBD	Council	25 March 2025	Minor updates
ACC2022/2800	Council	27/01/22 / 21513	Removal of Future Fund from this policy and minor edits.
ACC2020/173755	Council	10/11/20	Inclusion of Future Fund
ACC2020/89630	Council	23/6/20	Minor updates
ACC2018/163534	Council	11/12/18	Minor updates
ACC2014/30423	Council	22/10/13	Minor updates

Contact:

For further information contact the Finance and Procurement Program

City of Adelaide
 25 Pirie Street, Adelaide, SA
 GPO Box 2252 ADELAIDE SA 5001
 +61 8 8203 7203
customer@cityofadelaide.com.au

FUTURE FUND & INVESTMENT POLICY RESERVE POLICY

~~287 January~~ March 2022 ~~25~~ non-legislative

PURPOSE

To provide:

- clarity on the purpose of Council's Future Fund. In particular, the source of contributions to Council's Future Fund Reserve for reinvestment;
- clarity on the type of investments Council will undertake in order to drive development of revenue streams in addition to rates income;
- ~~To provide~~ guidance for evaluation of investments to be considered by Council and ensure all investments are consistently measured for their financial return to Council.

STATEMENT

Purpose of the Fund

The Future Fund Reserve is intended to quarantine monies received from the net proceeds from the sale of assets. It is to ensure that proceeds are not directed towards operating costs of the Council but are rather re-invested into income generating investments that drive additional revenues/returns to the Council ~~in addition to rate income~~.

Nature of the Fund

Financial ~~Reserves in a financial sense~~ are an allocation of money set aside for specific future purposes ~~in future periods~~.

~~Generally, these funds will need~~ not have a separate bank account but will be separately and clearly identified in the balance sheet as an asset equity reserve.

~~Following As a policy principle the principles of this policy,~~ sale proceeds will be used to reduce overall Council borrowings and interest expenses, ~~which means that meaning~~ expenditure from the reserve fund funds may trigger necessary additional borrowing. will be re-borrowed when expenditure from the reserve fund is required.

If Council is in a positive cash position ~~and holds no borrowings with no debt~~ the funds will be held in an interest-bearing account in accordance with the Treasury Policy.

In accordance with accounting standards, the fund is not permitted to disclose a negative balance.

Contribution to the Fund

Council will regularly review the performance of its assets and will dispose of identified ~~non-performing under-performing~~ assets in accordance with the Acquisition and Disposal of Land and Assets Policy. Net proceeds ~~(proceeds net of sale expenses incurred)~~ from the sale of Council

assets, (such as from for example property sales) will be transferred and quarantined to at the Future Fund Reserve reserve fund.

The City of Adelaide acknowledges the Kaurna people as the Traditional Owners of the Country where the city of Adelaide is situated, and pays its respect to Elders past, present and emerging.

Accessing the Fund for Investment

The Future Fund Reserve will be used to fund strategic investments ~~of a strategic nature that which~~ will generate income for the Council into the future.

All requests to utilise funds from the ~~reserve fund~~ Future Fund Reserve will ~~be based on~~ require a business case: ~~The business case must which~~ clearly demonstrates the expected financial return to Council. This financial return will be assessed using clear evaluation criteria ~~as (detailed in the assessment of performing investments section of this policy).~~

~~The funds from the~~ Future Fund Reserve funds may be matched by external parties or by other funding mechanisms from Council ~~itself~~ provided the total investment expenditure meets the definition of investments. ~~By default the~~ Future Fund Reserve may partially fund an investment.

~~The use of the~~ Future Fund Reserve does not override Council obligations under its Prudential Management Policy, ~~and a~~ investment expenditure ~~on investments~~ should ~~ensure these fulfill these~~ obligations ~~are fulfilled~~.

Investments

Investments can be both tangible and intangible assets which generate income for the future. ~~Investments will not include those that are focused on capital appreciation only as they must return an income to Council.~~ The income returns must be clearly defined and assessed using consistent financial evaluation criteria.

The Future Fund will **not** be used to:

- fund operational expenditure
- fund asset renewal expenditure
- fund community investment that Council would otherwise perform

Investment considerations can include but are not limited to business operations, commercial assets and other physical assets that generate an income return to Council. Investments will not include those focused on capital appreciation only, as investments must return an income to Council. ~~Investments will not include those that are focused on capital appreciation only as they do not return an income to Council.~~

Assessment of Performing Investments

In addition to the requirements of Part 4 of the *Local Government Act* ~~(SA)~~ 1999 (SA), Council will ~~further utilise~~ use financial evaluation criteria ~~that will which~~ include consideration of strategic alignment, risk and financial sensitivity and scenario analysis, utilising tools such as NPV Net Present Value (NPV), Benefit-Cost Ratio (BCR), and Internal Rate of Return ~~(-BCR, IRR).~~

The evaluation will be performed by Finance ~~and~~ Procurement, and Strategic Property and Commercial Programs, ~~and who~~ may seek external advice on a ~~case by case~~ case-by-case basis.

Preferred solutions will be presented to Executive to provide approval or direction, and Council approval sought where relevant.

~~Many~~ Several factors need to be considered when deciding if an investment is performing. Performance will be determined by the appropriate discount rate used for financial evaluation. This will ensure that the rate of return deemed as performing is relevant to the particular type of investment. In addition an investment must consider the following criteria:

Strategic Alignment:

- Delivery of one or more of the strategic plan priorities
- Support for development of the City

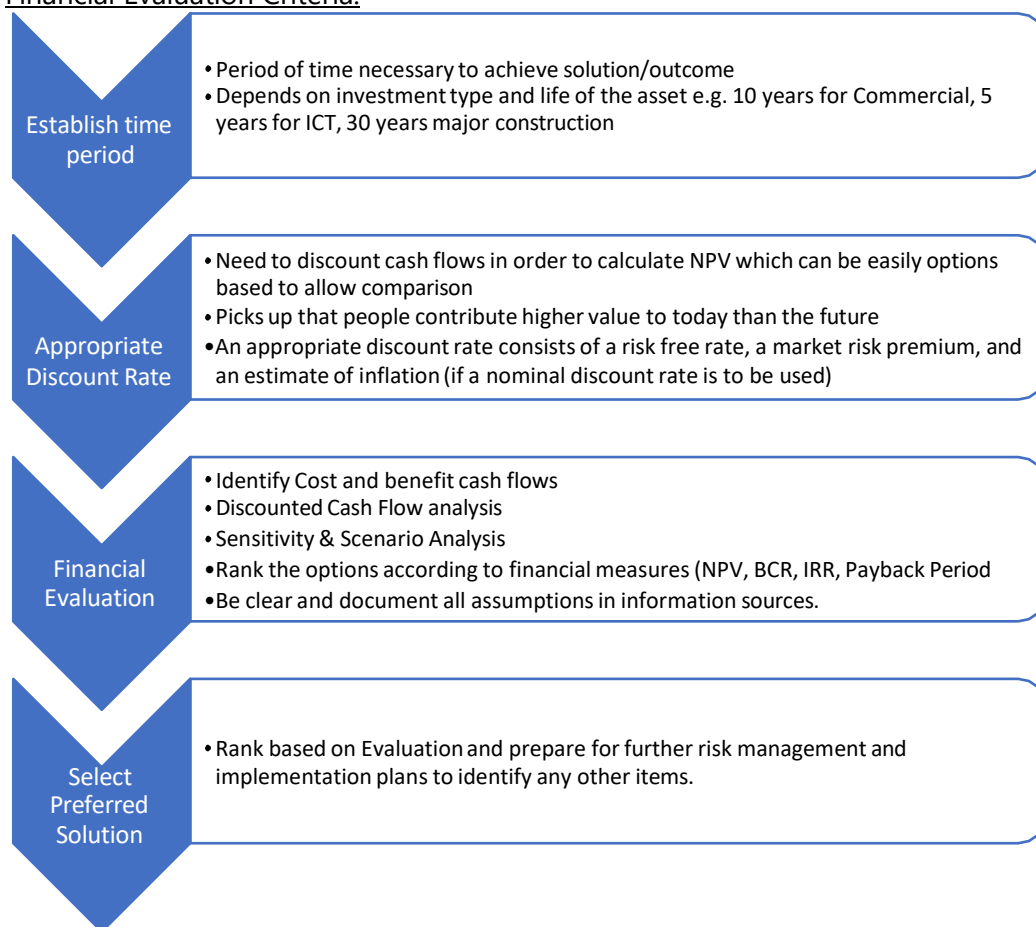
Timing:

- Time necessary for return to be generated or to achieve outcome
- Time required to hold the investment
- Period for which the investment is likely to be required

Risk assessment:

- Assessment against the Strategic Risk Register
- Stakeholder impact assessment
- Prudential review requirements

Financial Evaluation Criteria:



Ongoing Maintenance of the Fund

Given the purpose of the Fund is to quarantine monies, it is not intended to disburse income returns to the Fund to maintain it. The only source of income will be from asset sales and the only disbursements from the Fund will be for expenditure on income generating investments. In this respect the The Future Fund will exist only to the extent that proceeds ~~are continued~~ to be received from relevant asset sales (sale of under-performing assets). ~~as assets are continually reviewed for performance criteria.~~

Application of this document

Reporting Requirements

Due to the nature of the Future Fund, reporting ~~with regards to the~~ on borrowings impacts ~~on borrowings~~ will be provided in Council's Long Term Financial Plan ~~on an annual basis~~ annually. ~~Quarterly~~ Aa Quarterly Future Fund report ~~on Future Fund~~ will be included ~~as part of~~ with the quarterly budget review to Council. ~~With a~~ Any performance reporting on investments acquired ~~to will~~ be provided separately to Council as a part of commercial operations updates.

OTHER USEFUL DOCUMENTS

Related documents

- Acquisition and Disposal of Land and Assets Policy
- Treasury Policy
- Prudential Management Policy

Relevant legislation

- Local Government Act ~~(SA)~~ 1999 (SA)

GLOSSARY

Throughout this document, the below terms have been used and are defined as:

~~Key word:~~ explanation

Investment: asset or item acquired with the goal of generating income

Under-Performing: when the performance of an investment fails to meet financial criteria as described in the evaluation criteria

BCR: Benefit Cost Ratio (the relationship between the relative costs and benefits of a proposed project/ initiative).

~~-IRR:~~ Internal Rate of Return (a measure of annual income from an investment expressed as a proportion of the original investment).

NPV: Net Present Value (difference between the present value of cash inflows and the present value of cash outflows over a period of time).

ADMINISTRATIVE As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed as per legislative requirements or when there is no such provision a risk assessment approach is taken to guide the review timeframe.

This Policy document will be reviewed every **42** years inline with the term of council unless legislative or operational change occurs beforehand. The next review is required in ~~January~~ March ~~2024~~**279**.

Review history:

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
<u>ACC2025/TBD</u> 22 <u>2</u>	<u>Council</u>	<u>25 March</u> <u>2025</u> 222	<u>The review recommended no substantive amendments, but has clarified and simplified wording of the current policy, and proposes changing the policy name to <i>Future Fund Reserve Policy</i> to better reflect its scope.</u> <u>Minor Updates</u>
ACC2022/2799	Council	27/01/2022/ 21513	New Policy

Contact:

For further information contact the Finance ~~and~~ Procurement Program

City of Adelaide
25 Pirie Street, Adelaide, SA
GPO Box 2252 ADELAIDE SA 5001
+61 8 8203 7203
citycustomer@cityofadelaide.com.au

FUTURE FUND RESERVE POLICY

*March 2025**non-legislative*

PURPOSE

To provide:

- clarity on the purpose of Council's Future Fund. In particular, the source of contributions to Council's Future Fund Reserve for reinvestment;
- clarity on the type of investments Council will undertake in order to drive development of revenue streams in addition to rates income;
- guidance for evaluation of investments to be considered by Council and ensure all investments are consistently measured for their financial return to Council.

STATEMENT

Purpose of the Fund

The Future Fund Reserve is intended to quarantine monies received from the net proceeds from the sale of assets. It is to ensure that proceeds are not directed towards operating costs of the Council but are rather re-invested into income generating investments that drive additional revenues/returns to the Council.

Nature of the Fund

Financial reserves are an allocation of money set aside for specific future purposes.

These funds need not have a separate bank account but will be separately and clearly identified in the balance sheet as an equity reserve.

As a policy principle, sale proceeds will be used to reduce overall Council borrowings and interest expenses, meaning expenditure from the reserve fund may trigger necessary additional borrowing.

If Council is in a positive cash position with no debt the funds will be held in an interest-bearing account in accordance with the Treasury Policy.

In accordance with accounting standards, the fund is not permitted to disclose a negative balance.

Contribution to the Fund

Council will regularly review the performance of its assets and will dispose of identified under-performing assets in accordance with the Acquisition and Disposal of Land and Assets Policy. Net proceeds from the sale of Council assets, (for example property sales) will be transferred and quarantined to the Future Fund Reserve.

The City of Adelaide acknowledges the Kaurna people as the Traditional Owners of the Country where the city of Adelaide is situated, and pays its respect to Elders past, present and emerging.

Accessing the Fund for Investment

The Future Fund Reserve will be used to fund strategic investments which will generate income for the Council into the future.

All requests to utilise funds from the Future Fund Reserve will require a business case which clearly demonstrates the expected financial return to Council. This financial return will be assessed using clear evaluation criteria (detailed in the assessment of performing investments section of this policy).

Future Fund Reserve funds may be matched by external parties or by other funding mechanisms from Council provided the total investment expenditure meets the definition of investments. The Future Fund Reserve may partially fund an investment.

Use of the Future Fund Reserve does not override Council obligations under its Prudential Management Policy. All investment expenditure should fulfill these obligations.

Investments

Investments can be both tangible and intangible assets which generate income for the future. The income returns must be clearly defined and assessed using consistent financial evaluation criteria.

The Future Fund will **not** be used to:

- fund operational expenditure
- fund asset renewal expenditure
- fund community investment that Council would otherwise perform

Investment considerations can include but are not limited to business operations, commercial assets and other physical assets that generate an income return to Council. Investments will not include those focused on capital appreciation only, as investments must return an income to Council.

Assessment of Performing Investments

In addition to the requirements of Part 4 of the *Local Government Act 1999 (SA)*, Council will use financial evaluation criteria which include consideration of strategic alignment, risk and financial sensitivity and scenario analysis, utilising tools such as Net Present Value (NPV), Benefit-Cost Ratio (BCR), and Internal Rate of Return (IRR).

The evaluation will be performed by Finance and Procurement, and Strategic Property and Commercial Programs, who may seek external advice on a case-by-case basis.

Preferred solutions will be presented to Executive to provide approval or direction, and Council approval sought where relevant.

Several factors need to be considered when deciding if an investment is performing. Performance will be determined by the appropriate discount rate used for financial evaluation. This will ensure that the rate of return deemed as performing is relevant to

the particular type of investment. In addition an investment must consider the following criteria:

Strategic Alignment:

- Delivery of one or more of the strategic plan priorities
- Support for development of the City

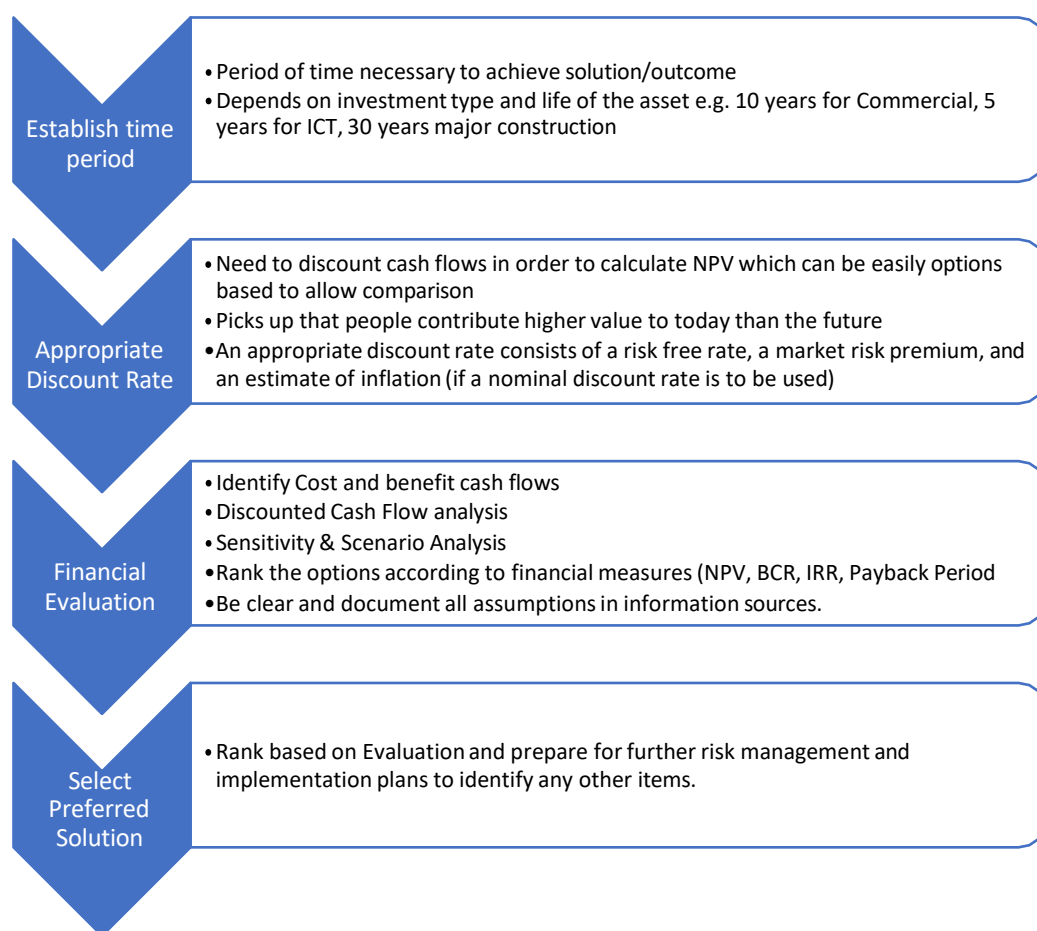
Timing:

- Time necessary for return to be generated or to achieve outcome
- Time required to hold the investment
- Period for which the investment is likely to be required

Risk assessment:

- Assessment against the Strategic Risk Register
- Stakeholder impact assessment
- Prudential review requirements

Financial Evaluation Criteria:



Ongoing Maintenance of the Fund

Given the purpose of the Fund is to quarantine monies, it is not intended to disburse income returns to the Fund to maintain it. The only source of income will be from asset sales and the only disbursements from the Fund will be for expenditure on income generating investments. The Future Fund will exist only to the extent that proceeds continue to be received from relevant asset sales (sale of under-performing assets).

Application of this document

Council will undertake to ensure:-

- Net proceeds from the disposal of underperforming assets are quarantined in the Future Fund.
- Access to the fund is granted for investments that generate future incomes to Council
- Consistent evaluation of investments to inform decisions of Council
- Returns from investments are maintained at an approved threshold.

Reporting Requirements

Due to the nature of the Future Fund, reporting on borrowings impacts will be provided in Council's Long Term Financial Plan annually. A Quarterly Future Fund report will be included with the quarterly budget review to Council. Any performance reporting on investments acquired will be provided separately to Council as a part of commercial operations updates.

OTHER USEFUL DOCUMENTS

Related documents

- Acquisition and Disposal of Land and Assets Policy
- Treasury Policy
- Prudential Management Policy

Relevant legislation

- *Local Government Act 1999 (SA)*

GLOSSARY

Throughout this document, the below terms have been used and are defined as:

Investment: asset or item acquired with the goal of generating income

Under-Performing: when the performance of an investment fails to meet financial criteria as described in the evaluation criteria

NPV: Net Present Value (difference between the present value of cash inflows and the present value of cash outflows over a period of time).

BCR: Benefit Cost Ratio (the relationship between the relative costs and benefits of a proposed project/ initiative).

IRR: Internal Rate of Return (a measure of annual income from an investment expressed as a proportion of the original investment).

ADMINISTRATIVE As part of Council's commitment to deliver the City of Adelaide Strategic Plan, services to the community and the provision of transparent information, all policy documents are reviewed as per legislative requirements or when there is no such provision a risk assessment approach is taken to guide the review timeframe.

This Policy document will be reviewed every **4** years in line with the term of council unless legislative or operational change occurs beforehand. The next review is required in **2029**.

Review history:

Trim Reference	Authorising Body	Date/ Decision ID	Description of Edits
ACC2025/TBD	Council	25 March 2025	The review recommended no substantive amendments but has clarified and simplified wording of the current policy, and proposes changing the policy name to <i>Future Fund Reserve Policy</i> to better reflect its scope.
ACC2022/2799	Council	27/01/2022/ 21513	New Policy

Contact:

For further information contact the Finance and Procurement Program

City of Adelaide
 25 Pirie Street, Adelaide, SA
 GPO Box 2252 ADELAIDE SA 5001
 +61 8 8203 7203
customer@cityofadelaide.com.au

Attachment E - Treasury Policy and Future Fund & Investment Policy (2025) Table of Key Changes and Comments

Treasury Policy

No	Page	Item	Change/Comment
1	3	Borrowing Risk Management	Inserted section 123 (7a) from November 2023 LG Act reform – reflect Council's budget will limit annual borrowing and other forms of financial accommodation
2	3	Cash investment Risk Management	Changed '&' symbol to 'and' for consistency
3	5	Credit Risk Management	Removed example as it is irrelevant
4	7	Relevant Legislation	Inserted ' <i>Banking Act 1959 (Cwlth)</i> '
5	7	Glossary	Inserted ' <i>Banking Act 1959 (Cwlth)</i> '
6	9	Administrative	Changed review of Policy document to be '...every 4 years in line with term of Council... and updated year to '...in 2029.'

Future Fund Reserve Policy (formerly Future Fund & Investment Policy)

No	Page	Item	Change/Comment
1		Global updates	- Changed the title of the policy to 'Future Fund Reserve Policy' and all references of the policy to 'Future Fund Reserve' - Grammatical and language changes updated throughout the document to support full review and greater clarity
2	1	Nature of fund	Replace word 'asset' with 'equity reserve' to clarify the recognition of the Future Fund Reserve
3	1	Contribution to the fund	Replace word 'non-performing' to 'under-performing' asset
4	2	Assessment of performing Investment	Moved acronym 'SA' from the front to the after the Act year
5	2	Assessment of performing Investment	Expanded the acronym for NPV, BCR and IRR to Net Present Value (NPV), Benefit-Cost Ratio (BCR), and Internal Rate of Return (IRR)
6	2	Assessment of performing investment	Extend the program to include 'procurement' as part of evaluation of performance group
7	5	Glossary	Inserted definitions for NVP, BCR and IRR
8	7	Administrative	Changed review of Policy document to be '...every 4 years in line with term of Council... and updated year to '...in 2029.'
9	7	Review history	Update table to document current review

Update on the 2025/26 Business Plan and Budget

Friday, 11 April 2025
Audit and Risk Committee

Strategic Alignment - Our Corporation

Presenter: Anthony Spatalis
Chief Operating Officer

Public

PURPOSE OF WORKSHOP

To update the Audit and Risk Committee on progress towards a draft 2025/26 Business Plan and Budget.
Summarised findings and recommendations from ESCOSA’s *Local Government Advice 2024/25* on the City of Adelaide’s financial sustainability (released 28 February 2025) are also included at the front of the presentation, including the City of Adelaide’s summary response.

KEY QUESTIONS

Do Audit and Risk Committee members have any feedback or questions related to the assumptions, budget development process thus far or indicative operating position summarised in the presentation?

- END OF REPORT -

Our Corporation

2025/26 Business **Plan and Budget**

Update

11 April 2025

Anthony Spartalis, Chief Operating Officer

Introduction

Building a Business Plan and Budget

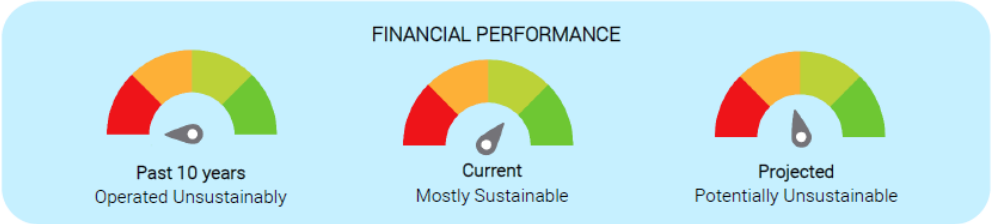
Page 123

Date	Forum	Type	Theme	Topic	
3 Dec	Spec CFG	Workshop	Introduction	Introduction and process for building the 2025/26 BP&B – parameters and priorities (as per LTFP and Strategic Plan)	✓
10 Dec	CEO Briefing	Workshop	Budget	Current position (LTFP, precommitments, retimes) and Subsidiary budget allocations (also launch member bids)	✓
11 Feb	CEO Briefing	Workshop	Plan and Budget	The build of the 2025/26 BP&B – assumptions, set 25/26 priorities and revenue levers	✓
21 Feb	ARC	Presentation	Plan and Budget	The 2025/26 BP&B – priorities, parameters, assumptions and current position	✓
11 Mar	Spec CFG	Workshop	Budget	Operating Budget review – ESCOSA Findings, base budget, service changes, Strategic Projects allocation to strategies/plans and member ideas	✓
18 Mar	CFG	Workshop	Plan	Review of Strategic Projects and Subsidiary Draft BP&Bs (ACMA and AEDA)	✓
25 Mar	Spec CFG	Workshop	Plan	Review of Capital Projects	✓
1 Apr	Spec CFG	Workshop	Plan and Budget	Final review of budgets and projects (balanced budget)	✓
11 Apr	ARC	Presentation	Draft BP&B	Draft 2025/26 BP&B - update	
15 Apr 22 Apr	CFG Council	Report	Draft BP&B	Draft 2025/26 BP&B for community consultation purposes	
29 Apr – 20 May	N/A	Public	Consultation	Community Consultation (including presentation of Draft 2025/26 BP&B to Subsidiary boards)	
27 May	Council	Public	Consultation	Special hearing for public consultation	
10 Jun	Council	Report	Consultation	Receipt of submissions	
17 Jun 24 Jun	CFG Council	Report	Final BP&B	Final 2025/26 BP&B	

ESCOSA Findings – “Mostly Sustainable”



The Essential Services Commission finds the Corporation of the *City of Adelaide*'s current financial performance *mostly sustainable* and projected financial performance *potentially unsustainable*, taking into account that the Council has an estimated \$150.0 million of funding requirements needed to implement its Asset Management Plans, proposes three significant asset renewals during a period of construction cost escalation, is reliant on as yet unsecured grants and is forecast to reach the council-set prudential borrowing limits. [ESCOSA - Advice to Local Government](#)



RISKS IMPACTING SUSTAINABILITY

- ⚠ The Council lacks a strategy for the capital renewal liabilities for its extensive commercial assets, combined with a lack of transparency regarding whether the assets each deliver a net positive or net negative result for ratepayers.
- ⚠ The Council's revenue includes a relatively high proportion of user charges. The Council must hold the assets and cover the expenses associated with providing these services, which are only sustainable if a suitable return is made on each of these more commercially orientated operations.
- ⚠ The Council is proposing to engage in significantly more capital expenditure than it has historically. This represents a considerable financial, practical and logistical challenge.
- ⚠ There is a risk of a higher borrowings requirement and higher rates if the Council is unable to secure external grant funding and/or it has underestimated the costs of its proposed capital program.
- ⚠ Replacement costs for Adelaide Bridge and Torrens Weir were derived prior to COVID and could be understated as a result of market, price and supply chain changes since that time.



Incorrect



Recognised



Recognised



Recognised



Inaccurate

ESCOSA recommendations

To further strengthen the Council's sustainability, the Commission recommends that the Council:

1. **Analyse** the implications for long-term financial sustainability and timely renewal of assets before considering any rate freeze or valuation freeze in the future and disclose the analysis to ratepayers.
2. **Improve** the disclosure of cost savings targets or productivity improvements in its Long-Term Financial Plans and Annual Business Plans (as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
3. **Consider** undertaking a detailed review, with its community, of the potential alternative options and the risk implications, from both the financial and service provision perspectives, of the proposed financing of its capital expenditure program.
4. **Consider** the Future Fund applying a greater emphasis on asset disposals with the proceeds used to repay borrowings, or reduce the need for them, rather than the purchase of assets for commercial operations.
5. **Upgrade** its Asset Management Plans to more accurately reflect formal asset valuations, condition assessments, remaining useful lives and corresponding depreciation schedules, incorporate this information into the Asset Management Plans and include these expenditure forecasts in the annual budget and annual Long-Term Financial Plan update.
6. **Consider** providing more clarity around the risks (and develop mitigation strategies) if the Council's expectations regarding its operational performance do not materialise and/or its financial strategy becomes stressed.
7. **Develop** a comprehensive and transparent strategy for its commercial assets, addressing for each class of assets and for each individual asset how to optimise value for ratepayers.



Journey to Date

Engagement with Council

The development of the 25/26 BP&B with Council commenced in December 2024.

Council Members have been engaged in the process through:

- Two CEO Briefings
 - 10 December - Current position and Subsidiary budget allocations
 - 11 February - Assumptions, priorities and revenue levers
- Five City Finance and Governance Committee workshop discussions
 - 3 December – Introduction, process, parameters and priorities
 - 11 March - Operating Budget review, Strategic Projects allocation to strategies and member ideas
 - 18 March - Strategic Projects and Subsidiary Draft BP&Bs (ACMA and AEDA)
 - 25 March - Capital Projects
 - 1 April - Review of operating budget and projects
- Presentation documents and pre-reading for discussions
- Five E-News follow-up communications
 - 11 December - Launch and link to member idea form for 25/26 BP&B
 - 10 January - Reminder of member ideas form deadline
 - 18 February - Updated 11 Feb 25/26 BP&B presentation
 - 14 March – Details on Strategic and Capital projects
 - 21 March - Process to providing budget change suggestions (to cover shortfall and funding further AEDA allocation) Council

Journey to Date

Engagement with Council

In the three workshops held during March, Council Members reviewed the proposed budget and projects for inclusion in the 25/26 BP&B. Information provided included:

- Operating budgets for each program and portfolio (presented as per the 'Our Programs and Projects' section of the BP&B)
- Identified operating savings – **\$0.499m**
- Income opportunities – **\$0.319m**
- Strategic Projects (including project description and strategic alignment) – **\$6.694m net**
- Capital N/U Projects (including description, strategic alignment and whole of project cost) – **\$30.713m net**
- Capital Renewal Program (by Asset Class) – **\$67.937m**

The operating position based on the above figures is summarised in the next slides

Proposed 25/26 Budget Projections – As at 18 and 25 March

\$'000s	2025-26 Base	Strategic Projects	Capital Projects	Service Changes	Identified Savings / Opportunities	Revised Base	Adopted LTFP	Variance
Income								
Rates Revenues	154,908	-	-	-	-	154,908	154,896	12
Fees and Charges	87,368	170	328	-	319	88,185	86,341	1,844
Grants, Subsidies and Contributions	4,454	653	-	99	-	5,206	4,646	560
Other Income	1,047	-	-	-	-	1,047	1,218	(171)
Total Income	247,777	823	328	99	319	249,346	247,101	2,245
Expenses								
Employee Costs	89,394	1,249	-	605	-	91,248	88,853	(2,395)
Materials, Contracts & Other Expenses	79,978	(2,204)	78	164	(387)	77,629	77,757	128
Sponsorships, Contributions and Donations	5,600	1,778	-	-	(112)	7,266	6,334	(932)
Depreciation, Amortisation & Impairment	64,506	-	-	-	-	64,506	64,462	(44)
Finance Costs	717	-	-	-	-	717	3,626	2,909
Total Expenses	240,195	823	78	769	(499)	241,366	241,031	(335)
Operating Surplus / (Deficit)	7,582	-	250	(670)	818	7,980	6,070	1,910
Capital Program								
Renewal/Replacement of Assets	67,936	-	-	-	-	67,936	67,936	-
New and Upgraded Assets	39,119	-	(60)	-	-	39,059	39,119	60
Amounts received specifically for New and Upgraded Assets	-	-	(3,918)	-	-	(3,918)	-	3,918
Net outlays on Capital	107,055	-	(3,978)	-	-	103,077	107,055	(3,978)
Borrowings	58,245	-	(4,228)	670	(818)	53,869	94,834	40,965

Proposed 25/26 Budget Projections – As at 18 and 25 March

	Operating Position	\$'000s	Rates Equivalent Revenue & Increase
1	2025/26 Base Operating Position	7,582	5.6%
	Proposed Strategic Projects	-	
	Proposed Capital Projects impact on Operating Position	250	
	Proposed Service Changes	(670)	
2	Total proposed adjustments for consideration	(420)	
3	Proposed Identified Savings / Opportunities	818	
4	Revised Base Operating Position	7,980	
5	Targeted Position	8,541	
6	Shortfall	(561)	

Key Financial Principle:

Adjust rate revenue after consideration of all other budget components and use growth in rate revenue to partly fund servicing new rateable properties and to service new borrowings.

Page 129

1. Base Operating Position incorporates Q2 adjustments, and LTFP assumptions (CPI of 3.0% applied)
2. Total proposed adjustments for consideration. Funding these equates to a 0.3% increase to Rates Revenue.
3. Administration has identified Savings and Opportunities for consideration. These equate to a 0.6% reduction to Rates Revenue.
4. The revised operating position having taken into consideration 2 and 3 above.
5. Targeted Operating Position to fund Upgrade of Community Buildings in the Park Lands, service new borrowings, and account for growth on new developments to service increased maintenance in future years.
6. Difference between 4 and 5, equates to an additional 0.4% increase to Rates Revenue.

This proposed position included an allocation to AEDA of 6.2% of rates income (\$8.910m)

Proposed 25/26 Budget Projections

What we heard from Council during the March workshops

Feedback from Council Members through the March workshops included:

- Need to comfortably service borrowings.
- Support to continue to fund the upgrades to community buildings in the Park Lands.
- Apportion growth on new developments to service increased maintenance in future years.
- AEDA funding should reflect the objectives in the AEDA Strategic Plan and Economic Development Strategy. The initial proposed allocation of 6.2% of rates revenue (\$8.910m) was short of the endorsed AEDA Board position, which was presented to Council, of 9.5% (\$13.598m).
- Other endorsed Council strategies, in addition to the AEDA Strategic Plan, also have four-year delivery windows which require funding.
- Further revise the proposed 25/26 budget to meet the target position and increase the proposed funding for AEDA.

At the 18 March Workshop, Council Members were requested to submit suggested changes to the budget to Administration, to reach the target position and increase proposed funding to AEDA - to be discussed at the 1 April Workshop.

Budget Changes

Proposed changes from Council Members and Administration

Suggested changes to the budget raised prior to the 1 April workshop included:

- \$0.271m reduction in operating budgets (BAU)
- \$0.290m reduction in proposed Strategic Projects for 2025/26
- \$0.120m increase in proposed Capital Projects for 2025/26

The revised operating position, including Capital and Strategic Project funding, based on the above figures is summarised in the next slides

Proposed 25/26 Budget Projections – As at 1 April

Updated position based on suggested changes

\$'000s	2025-26 Base	Strategic Projects	Capital Projects	Service Changes	Identified Savings / opportunities	Council Member / Admin ideas	Revised Base	Adopted LTFP	Variance
Income									
Rates Revenues	154,908	-	-	-	-	-	154,908	154,896	12
Fees and Charges	87,368	170	328	-	319	-	88,185	86,341	1,844
Grants, Subsidies and Contributions	4,454	653	-	99	-	-	5,206	4,646	560
Other Income	1,047	-	-	-	-	-	1,047	1,218	(171)
Total Income	247,777	823	328	99	319	-	249,346	247,101	2,245
Expenses									
Employee Costs	89,394	1,249	-	605	-	-	91,248	88,853	(2,395)
Materials, Contracts & Other Expenses	79,978	(1,404)	78	164	(387)	(561)	77,868	77,757	(111)
Sponsorships, Contributions and Donations	5,600	978	-	-	(112)	-	6,466	6,334	(132)
Depreciation, Amortisation & Impairment	64,506	-	-	-	-	-	64,506	64,462	(44)
Finance Costs	717	-	-	-	-	-	717	3,626	2,909
Total Expenses	240,195	823	78	769	(499)	(561)	240,805	241,031	226
Operating Surplus / (Deficit)	7,582	-	250	(670)	818	561	8,541	6,070	2,471
Capital Program									
Renewal/Replacement of Assets	67,936	-	1	-	-	-	67,937	67,936	(1)
New and Upgraded Assets	39,119	-	(60)	-	-	120	39,179	39,119	(60)
Amounts received specifically for New and Upgraded Assets	-	-	(8,018)	-	-	-	(8,018)	-	8,018
Net outlays on Capital	107,055	-	(8,077)	-	-	120	99,098	107,055	(7,957)
Borrowings	58,245	-	(8,327)	670	(818)	(441)	49,329	94,834	45,505

Proposed 25/26 Budget Projections – As at 1 April

Updated position based on suggested changes

	Operating Position	\$'000s
1	2025/26 Revised Base Operating Position	7,980
2	Proposed Amendments	561
3	Proposed Operating Position	8,541
4	Targeted Position	8,541
5	Surplus / (Shortfall)	-

Key Financial Principle:

Adjust rate revenue after consideration of all other budget components and use growth in rate revenue to partly fund servicing new rateable properties and to service new borrowings.

Page 133

1. The Revised Base Operating Position incorporates Q2 adjustments, and LTFP assumptions (CPI of 3.0% applied), proposed adjustments previously presented to fund service changes and strategic projects.
2. Total proposed adjustments of \$0.561m
3. The proposed operating position having taken into consideration 2 above.
4. Targeted Operating Position Upgrade to fund Community Buildings in the Park Lands, service the borrowings, and account for growth on new developments to service increase in maintenance in future years.
5. The revised base operating position is in line with the targeted position

This proposed position included an allocation to AEDA of 6.8% of rates income (\$9.776m)

Proposed 25/26 Budget Projections

What we heard from Council at the 1 April Workshop

Feedback from Council Members on the updated position included:

- Sponsorship funding for the History Festival to be included back into the budget, after a deputation from the History Trust of South Australia. *Identified as an operating budget saving presented at the 11 March Workshop.*
- Not to reduce grant funding pool for community and art grants programs, but supportive of efficiencies in administering grants. *Identified as an operating budget saving presented at the 1 April Workshop.*
- Not to reduce funding towards the implementation of the Disability Access and Inclusion Plan. *Identified as a Strategic Project saving presented at the 1 April Workshop.*
- A desire for further information from AEDA regarding prioritisation of Strategic Projects (what will/will not be delivered at different funding levels) and on the need and functionality of the Rundle Mall sound system Capital Project.
- Mindful that other endorsed four-year Council strategies must be adequately funded in addition to AEDA's.

Proposed 25/26 Budget Projections

Progressing the Draft 25/26 BP&B

In response to the feedback from the 1 April Workshop, Administration is proposing to:

- Further refine the operating budget to reflect the feedback by:
 - Not progressing some of the proposed Service Changes for 25/26 (*presented at the 11 March Workshop*)
 - Transfer budget for CoA operating activities related to economic development to AEDA to prioritise/administer
- Hold two workshops as part of the 15 April CFG on:
 - Proposed Fees and Charges changes for 25/26
 - Further detail on AEDA funding requests
- Table a report at the 15 April CFG, which provides an updated operating position reflective of feedback to date (presented as per the 'Our Programs and Projects' section of the BP&B)
- Seek endorsement for the Draft 25/26 BP&B for consultation at the Council meeting of 22 April

Proposed 25/26 Budget Projections – To be presented on 15 April

Updated position based on Council feedback

\$'000s	2025-26 Base	Strategic Projects	Capital Projects	Service Changes	Identified Savings / opportunities	Revised Base	Adopted LTFP	Variance
Income								
Rates Revenues	154,908	-	-	-	-	154,908	154,896	12
Fees and Charges	87,368	170	328	-	252	88,118	86,341	1,777
Grants, Subsidies and Contributions	4,454	653	-	99	-	5,206	4,646	560
Other Income	1,047	-	-	-	-	1,047	1,218	(171)
Total Income	247,777	823	328	99	252	249,279	247,101	2,178
Expenses								
Employee Costs	89,394	1,248	-	416	-	91,058	88,853	(2,205)
Materials, Contracts & Other Expenses	79,978	(1,664)	78	-	(454)	77,938	77,757	(181)
Sponsorships, Contributions and Donations	5,600	980	-	-	(61)	6,519	6,334	(185)
Depreciation, Amortisation & Impairment	64,506	-	-	-	-	64,506	64,462	(44)
Finance Costs	717	-	-	-	-	717	3,626	2,909
Total Expenses	240,195	564	78	416	(515)	240,738	241,031	293
Operating Surplus / (Deficit)	7,582	259	250	(317)	767	8,541	6,070	2,471
Capital Program								
Renewal/Replacement of Assets	67,936	-	1	-	-	67,937	67,936	(1)
New and Upgraded Assets	39,119	-	60	-	-	39,179	39,119	(60)
Amounts received specifically for New and Upgraded Assets	-	-	(8,018)	-	-	(8,018)	-	8,018
Net outlays on Capital	107,055	-	(7,957)	-	-	99,098	107,055	(7,957)
Borrowings	58,245	(259)	(8,207)	317	(767)	49,329	94,834	45,505

Proposed 25/26 Budget Projections – To be presented on 15 April

Updated position based on Council feedback

	Operating Position	\$'000s
1	2025/26 Revised Base Operating Position	8,541
	Proposed Operating Position	8,541
2	Targeted Position	8,541
3	Surplus / (Shortfall)	-

Key Financial Principle:

Adjust rate revenue after consideration of all other budget components and use growth in rate revenue to partly fund servicing new rateable properties and to service new borrowings.

Page 137

1. The Revised Base Operating Position incorporates Q2 adjustments, and LTFP assumptions (CPI of 3.0% applied), proposed adjustments previously presented to fund service changes and strategic projects.
2. Targeted Operating Position Upgrade to fund Community Buildings in the Park Lands, service the borrowings, and account for growth on new developments to service increase in maintenance in future years.
3. The revised base operating position is in line with the targeted position

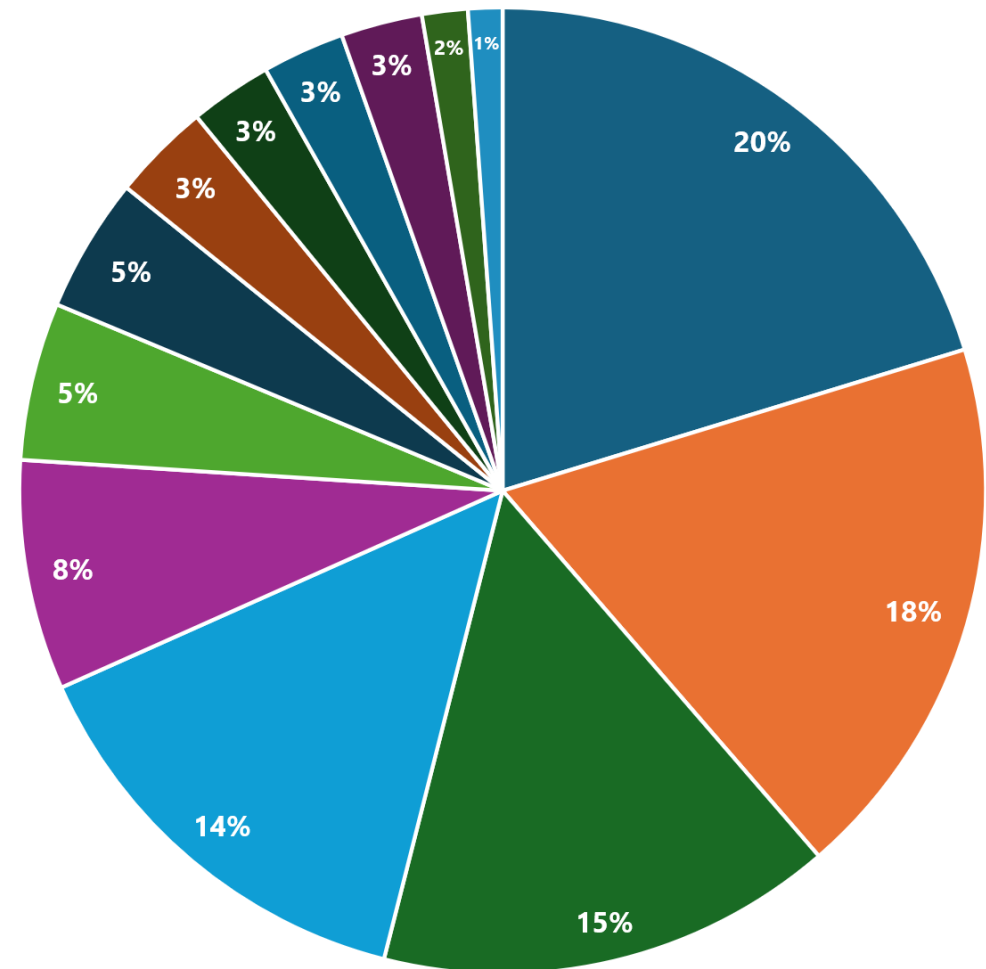
This proposed position included an allocation to AEDA of 7.0% of rates income (\$9.964m)

Proposed Strategic Project Allocation to Endorsed Strategies/Plans

Updated position based on Council feedback

Endorsed Strategies/Plans	Net Expenditure (\$'000)	% of Project Pool
Economic Development Strategy*	1,325	20%
Asset Management Plan	1,200	18%
Integrated Climate Strategy	1,000	15%
ACMA Strategic Plan	939	14%
Housing Strategy	503	8%
Not aligned to other strategies	345	5%
City Plan	290	5%
Homelessness Strategy	215	3%
Disability Access and Inclusion Plan	180	3%
Stretch Reconciliation Action Plan	180	3%
Heritage Strategy and Action Plan	178	3%
National Heritage Management Plan	100	2%
Adelaide Park Lands Management Strategy	75	1%
Kadaltilla Strategic Plan	-	-
Total	6,530	100%

* Economic Development Strategy incorporates \$0.732m, which is a portion of the proposed AEDA allocation (variance between the proposed \$9.964m allocation and the proposed 25/26 AEDA base budget).



AEDA Allocation

AEDA budget as per the updated position, compared to the AEDA Board requested amount

\$'000s	2025/26 Proposed Initial		2025/26 Updated Position		2025/26 AEDA Board Request		Variance (Updated and Request)	
	Budget	Proportion of rates	Budget	Proportion of rates	Budget	Proportion of rates	Budget	Proportion of rates
Total AEDA funding	8,910	6.20%	9,964	7.0%	13,598	9.5%	(3,634)	2.5%

The updated position for AEDA incorporates budget for additional activity aligned with the Economic Development Strategy. This results in a 7.0% allocation of Rates Revenue.

If Council wishes to increase the funding allocation to AEDA beyond 7.0% in 25/26, a rate increase is required.

AEDA Allocation

Possible transition to 9.5%

The endorsed AEDA Strategic Plan covers the periods 2024/25 to 2028/29.

Impact of a 4-year transition to a 9.5% rate revenue allocation over the life of the Strategic Plan is outlined below.

\$'000s	2025/26		2026/27		2027/28		2028/29	
	Assumed Rates 143,138		Assumed Rates 150,034		Assumed Rates 157,696		Assumed Rates 165,548	
	Budget	Proportion of rates	Budget	Proportion of rates	Budget	Proportion of rates	Budget	Proportion of rates
Total AEDA funding	9,964	7.0%	11,703	7.8%	13,562	8.6%	15,727	9.5%

Assumed Rates excludes the Rundle Mall Levy and Landscape Levy

Next Steps

Timeline and process

The proposed timelines seek to manage the process in an efficient and transparent manner. The next steps in delivering the 25/26 BP&B are:

- Workshop on proposed Fees and Charges changes for 25/26
- Workshop on more information on the proposed AEDA 25/26 budget
- Report on the updated proposed operating position for the 25/26 BP&B

Page 141

Date	Topic	
3 Dec	Introduction and process for building the 2025/26 BP&B – parameters and priorities (as per LTFP and Strat Plan)	✓
10 Dec	Current position (LTFP, precommitments, retimes) and Subsidiary budget allocations (also launch member bids)	✓
11 Feb	Building the 2025/26 BP&B – assumptions, set 25/26 priorities and revenue levers	✓
21 Feb	ARC - 2025/26 BP&B – priorities, parameters, assumptions and current position	✓
11 Mar	Operating Budget review – ESCOSA Findings, base budget, service changes, Strategic Projects allocation to strategies/plans and member ideas	✓
18 Mar	Review of Strategic Projects and Subsidiary Draft BP&Bs (ACMA and AEDA)	✓
25 Mar	Review of Capital Projects	✓
1 Apr	Final review of budgets and projects (balanced budget)	✓
11 Apr	ARC - Draft 2025/26 BP&B - update	✓
15 Apr	Workshop – Proposed Fees and Charges changes for 25/26 Workshop – AEDA 25/26 Budget Report – Updated operating position	
22 Apr	Draft 2025/26 BP&B for community consultation purposes	
29 Apr – 20 May	Community Consultation (including presentation of Draft 2025/26 BP&B to Subsidiary boards)	
27 May	Special hearing for public consultation	
10 Jun	Receipt of submissions	
17 Jun 24 Jun	Final 2025/26 BP&B	

Exclusion of the Public

Friday, 11 April 2025

Audit and Risk Committee

Public

Program Contact:

Rebecca Hayes, Associate
Director Governance &
Strategy

Approving Officer:

Michael Sedgman, Chief
Executive Officer

EXECUTIVE SUMMARY

Section 90(2) of the *Local Government Act 1999 (SA)* (the Act), states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in section 90(3) of the Act.

It is the recommendation of the Chief Executive Officer that the public be excluded from this Audit and Risk Committee meeting for the consideration of information and matters contained in the Agenda.

12.1 Strategic Risk and Internal Audit Update [section 90(3) (i) of the Act]

The Order to Exclude for Item 12.1

1. Identifies the information and matters (grounds) from section 90(3) of the Act utilised to request consideration in confidence.
2. Identifies the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public.
3. In addition, identifies for the following grounds – section 90(3) (b), (d) or (j) of the Act - how information open to the public would be contrary to the public interest.

ORDER TO EXCLUDE FOR ITEM 12.1

THAT THE AUDIT AND RISK COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (i) and section 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit and Risk Committee dated 11 April 2025 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 12.1 [Strategic Risk and Internal Audit Update] listed on the Agenda.

Grounds and Basis

This Item is confidential in nature because the report includes information on Council litigation.

The disclosure of information in this report could reasonably be expected to prejudice the outcome of Council's actual litigation.

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit and Risk Committee dated 11 April 2025 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 12.1 [Strategic Risk and Internal Audit Update] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in section 90(3) (i) of the Act.

DISCUSSION

1. Section 90(1) of the *Local Government Act 1999 (SA)* (the Act), directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. Section 90(2) of the Act, states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in section 90(3) of the Act.
3. Section 90(3) of the Act prescribes the information and matters that a Council may order that the public be excluded from.
4. Section 90(4) of the Act, advises that in considering whether an order should be made to exclude the public under section 90(2) of the Act, it is irrelevant that discussion of a matter in public may -
 - (a) *cause embarrassment to the council or council committee concerned, or to members or employees of the council; or*
 - (b) *cause a loss of confidence in the council or council committee; or*
 - (c) *involve discussion of a matter that is controversial within the council area; or*
 - (d) *make the council susceptible to adverse criticism.'*
5. Section 90(7) of the Act requires that an order to exclude the public:
 - 5.1 Identify the information and matters (grounds) from section 90(3) of the Act utilised to request consideration in confidence.
 - 5.2 Identify the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public.
 - 5.3 In addition identify for the following grounds – section 90(3) (b), (d) or (j) of the Act - how information open to the public would be contrary to the public interest.
6. Section 87(10) of the Act has been utilised to identify in the Agenda and on the Report for the meeting, that the following matters are submitted seeking consideration in confidence.
 - 6.1. Information contained in Item 12.1 – Strategic Risk and Internal Audit Update
 - 6.1.1 Is not subject to an Existing Confidentiality Order
 - 6.1.2 The grounds utilised to request consideration in confidence is section 90(3) (i) of the Act
Information relating to the actual litigation, or litigation that the council or council committee believes on reasonable ground will take place, involving the council or an employee of the council.

ATTACHMENTS

Nil

- END OF REPORT -

Document is Restricted