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CITY OF ADELAIDE

AUDIT AND RISK COMMITTEE

Agenda and Reports

for the meeting on

Friday, 13 June 2025

at 9.00 am

in the Colonel Light Room, Adelaide Town Hall

Our Adelaide.
Bold.
Aspirational.
Innovative.

AUDIT AND RISK COMMITTEE
Meeting Agenda, Friday, 13 June 2025, at 9.00 am

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

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

Apologies -

The Right Honourable the Lord Mayor, Dr Jane Lomax-Smith (ex-officio)

3. Confirmation of Minutes

That the Minutes of the meeting of the Audit and Risk Committee held on 16 May 2025, be taken as read and be confirmed as an accurate record of proceedings.

View public 16 May 2025 Minutes here.

4. Declaration of Conflict of Interest

5. Presiding Member Reports

6. Reports

6.1	Site Contamination Internal Audit	4 - 28
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7. Emerging Key Risks

8. Independent Member Discussion

9. Other Business

10. Exclusion of the Public 51 - 53

In accordance with sections 90(2),(3) and (7) of the *Local Government Act 1999 (SA)* the Audit and Risk Committee will consider whether to discuss in confidence the reports contained within section 11 of this Agenda.

11. Confidential Item

11.1 CONFIDENTIAL - Payment Card Industry (PCI) Compliance Review [S90(3) (e)] 54 - 181

11.2 CONFIDENTIAL - Appointment of Internal Auditor [S90(3) (k)] 182 - 186

12. Closure

Agenda Item 6.1

Site Contamination Internal Audit

Friday, 13 June 2025
Audit and Risk Committee

Strategic Alignment - Our Corporation

Program Contact:
Rebecca Hayes, Associate Director Governance & Strategy

Public

Approving Officer:
Anthony Spartalis, Chief Operating Officer

EXECUTIVE SUMMARY

The purpose of this report is to provide the Audit and Risk Committee the Site Contamination Internal Audit report. The Internal Audit was performed by KPMG, in accordance with the Internal Audit Plan 2024-2025.

The Terms of Reference of the Audit and Risk Committee includes responsibility for receiving full reports, monitoring and reviewing the Internal Audit Plan and Internal Audit Projects.

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 internal audit identified four findings. Two are risk-rated Moderate and one risk-rated Low. One Improvement Opportunity was 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 Site Contamination Internal Audit report as contained in Attachment A to Item 6.1 on the Agenda for the meeting of the Audit and Risk Committee held on 13 June 2025.
2. Endorses the responses of the Administration to the Site Contamination Internal Audit report as contained in Attachment A to Item 6.1 on the Agenda for the meeting of the Audit and Risk Committee held on 13 June 2025.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Outcome – Effective Leadership and Governance. 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 the Strategic Risk and Internal Audit Group for their consideration.
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 function 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 Internal Audit Plan 2024-2025 (the Plan) for the City of Adelaide (CoA) has been developed in response to Council's key strategic risks and priorities.
2. The Site Contamination Internal Audit report was performed by KPMG, in accordance with the Plan.
3. The internal audit was performed in accordance with the Plan, on the processes in place to identify, manage and remediate contaminated sites. This included a review of key strategic documents, including CoA's plans to manage and report on environmental metrics.
4. The audit best 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.

Report

5. The objective of the Site Contamination Internal Audit included the following:
   - 5.1. Evaluation of the CoA's relevant policies and procedures that support compliance with key obligations of the *Environment Protection Act 1993* (SA) and the *Environment Protection Regulations 2023* (SA).
   - 5.2. Review of relevant roles and responsibilities sufficiently defined, including the management of key obligations.
   - 5.3. Assessment of relevant processes and key controls relating to the management of contaminated sites, including the following specific areas:
     - 5.3.1. Identification and record keeping
     - 5.3.2. Ground disturbance management for CoA activity
     - 5.3.3. Contaminated soil handling
   - 5.4. CoA process over the identification of land contaminated by third parties and monitoring of remediation actions taken/to be taken by identified third parties.
   - 5.5. Reporting on the management and remediation of contaminated sites, including relevant environmental metrics.
6. A number of positive observations were identified during the course of the internal audit and are summarised below:

	Observation
Collaboration with the EPA	The CoA engaged with the SA Environment Protection Authority (EPA) to develop comprehensive Site Contamination Policy and the Operating Guidelines. These documents clearly define processes, roles and responsibilities, and provide reference to legislative requirements.
Engagement with site contamination experts	The CoA appropriately engages with external site contamination specialists to conduct site contamination tests, perform risk and remediation assessments and produce detailed reports.
Environmental Site History Register (ESHR) and dashboard	The CoA has developed an ESHR and utilises a Power BI dashboard to monitor and manage the remediation status and locations of contaminated sites.

7. The findings of the internal audit are indexed into the following risk ratings:

Finding	Risk Rating
Limited integration of site contamination activities within the project management framework	Moderate
Limited ongoing monitoring of site-specific contamination obligations and recommendations	Moderate
Insufficient site contamination awareness training	Low

Greater clarity of thresholds to trigger site contamination risk assessment	Improvement Opportunity

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

Moderate Findings	
Finding 1: Limited integration of site contamination activities within the project management framework	Will include reference to the Site Contamination Operating Guidelines in the Design (Detailed Planning) Phase in the PMO System. Will include reference to the Environmental Site History Register (ESHR) in the Design (Detailed Planning) Phase in the PMO System. In conjunction with Recommendation 3 of Finding 3, training material will be developed by site contamination subject matter experts and the People team will assist in roll-out of training material.
Finding 2: Limited ongoing monitoring of site-specific contamination obligations and recommendations	A formalised process to monitor long-term site contamination obligations and track recommendations from EMPs and SMPs will be developed. Maintenance work order system will be linked with the ESHR to support ongoing management obligations. Within the implementation of the integration of work orders, works will identify where site contamination and other environmental considerations for a specific site are required. Change management activity will be conducted during and post implementation to support roll-out.

9. Administration has considered the findings and provided actions and time frames to address these findings (outlined in the findings section of the KPMG's Site Contamination Internal Audit report, **Attachment A**).

ATTACHMENTS

Attachment A – Site Contamination Internal Audit

- END OF REPORT -

KPMG

Site Contamination Management

Internal Audit Report

The Corporation of the City of Adelaide (CoA)

May 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.

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Executive Summary

In accordance with the 2024/2025 Internal Audit Plan for the Corporation of the City of Adelaide (CoA), an internal audit focussing on site contamination management was performed. The objective, scope and approach are outlined below.

Objective

The objective of this internal audit was to assess the effectiveness and efficiency of the processes in place to identify, manage, and remediate contaminated sites. This included a review of key strategic documents, including the CoA's plans to manage and report on environmental metrics.

Scope of Services

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

- Evaluating the CoA's relevant policies and procedures that support compliance with key obligations of the Environment Protection Act 1993 (SA) and the Environment Protection Regulations 2023 (SA).
- Relevant roles and responsibilities are sufficiently defined, including the management of key obligations.
- Assessing relevant processes and key controls relating to the management of contaminated sites, including the following specific areas:
  - Identification and record keeping.
  - Ground disturbance[1] management for CoA activity.
  - Contaminated soil handling.
- CoA process over the identification of land contaminated by third parties and monitoring of remediation actions taken/to be taken by identified third parties.
- Reporting on the management and remediation of contaminated sites, including relevant environmental metrics.

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

[1] Ground Disturbance: Any work requiring a penetration into the ground surface. Examples of ground disturbance include trenching, excavations, post holes, soils borings, groundwater monitoring, well installation, scraping, digging borrow pits, and driving stakes.

Scope exclusions

- Land development applications processes and systems for contaminated sites.
- Land acquisitions due diligence system including processes relating to acquisition of contaminated sites.
- Management of groundwater contamination.
- Hygiene related issues of asbestos or other contamination.

Positive Observations

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

- **Collaboration with the EPA:** The CoA engaged with the SA Environment Protection Authority (EPA) to develop comprehensive *Site Contamination Policy and the Operating Guidelines.* These documents clearly define processes, roles and responsibilities, and provide references to legislative requirements.
- **Engagement with site contamination experts:** The CoA appropriately engages with external site contamination specialists to conduct site contamination tests, perform risk and remediation assessments and produce detailed reports.
- **Environmental Site History Register (ESHR) and dashboard:** The CoA has developed an ESHR and utilises a Power BI dashboard to monitor and manage the remediation status and locations of contaminated sites.

Summary of Findings

The number of findings identified during 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** section of this report. Classification of internal audit findings is detailed in **Appendix 5** of this report.

Critical	High	Moderate	Low	PIO*
-	-	2	1	1

**PIO: Performance Improvement Opportunity*

Background

Historical Context and Recent Developments

Recent developments highlight the critical importance of adhering to rigorous site contamination management practises to prevent potential legal and environmental issues. In 2017, the CoA was penalised by the EPA for breaches related to the capping of the former Wingfield waste-landfill site, which had been closed in 2004 and sold in 2011. Despite the approval of a Voluntary Site Remediation Plan in 2012, the EPA alleged breaches of the original capping terms. This resulted in the CoA being found guilty and required to pay fines for the two violations.

Overview

Site contamination management is a crucial aspect of urban environmental stewardship of the CoA. Appreciating the legacy of site contamination enables residents, industry and governments to manage it collectively. This process involves the identification, assessment, and remediation of contaminated sites to ensure they are safe for current and future use. Effective management practises help to mitigate risks posed by pollutants such as heavy metals, hydrocarbons, and other hazardous substances that may have accumulated from historical industrial activities, improper waste disposal, or accidental spills.

Effective site contamination management plays a significant role in maintaining the city's liveability and environmental quality. Remediated sites can be repurposed for public amenities, residential developments, or commercial endeavours, thus contributing to economic growth. Additionally, by preventing the spread of contaminants to soil, groundwater, and surface water, the city can preserve its natural ecosystems and protect biodiversity.

Site Contamination Policy and Operating Guidelines

The CoA introduced a new Site Contamination Policy and Operating Guidelines in September 2024.

- The Site Contamination Policy supports the CoA to comply with site contamination laws. It clarifies the roles of the CoA, the EPA, site contamination practitioners, and other bodies in managing contamination, aligning with the EPA's guidance for landowners, developers, and the community.

Site Contamination Policy and Operating Guidelines (cont.)

- The Site Contamination Operating Guidelines provides a framework for managing site contamination in the CoA. They assist in identifying contaminated sites and determining necessary assessments, remediation, or audits, ensuring measures to prevent or minimize environmental harm.

Relevant Site Contamination Roles and Responsibilities

Given the complex nature of cascading responsibilities to key personnel in policies and operations, the Site Contamination Policy and Operating Guidelines provide clear guidance on the management of site contamination roles and responsibilities across various areas of the CoA.

Key roles across the CoA related to site contamination include:

Role	Responsibility
Associate Director Park Lands, Policy & Sustainability	Update Policy and Operating Guidelines and advise on contamination processes and procurement.
Associate Director, Infrastructure	Manage the ESHR and develop spatial data layer, support procedural contamination matters and liaise with the EPA and consultants.
Managers, Infrastructure Delivery, Technical Services and Infrastructure	Include site contamination in risk assessment, manage and update ESHR including spatial data layer and engage contamination experts and report incidents.
Project Managers (contracted by the CoA)	Engage contamination specialists/auditors (contractor), including, managing and reporting on contamination issues.
Associate Director, City Operations	Ensure onsite operations follow contamination guidelines and report any discovered contamination incidents.
Associate Director, Regulatory Services	Access the ESHR for development assessment and ensure adherence to planning conditions for contamination.
Associate Director, Strategic Property and Commercial	Manage property asset monitoring requirements and submit monitoring reports to Infrastructure team to update the ESHR.
Manager, Customer & Marketing	Advise community and respond to media on contamination issues.

Background

Key Obligations: Legal and Regulatory Framework

The *Environment Protection Act (SA)* 1993 and the *Environment Protection Regulations (SA)* 2023 outline key obligations that the CoA need to comply with. These laws require site owners, developers, and businesses to identify, assess, and manage contamination risks; key areas of note include:

- All parties must report contamination, conduct risk assessments, and follow remediation protocols, which may include soil removal, groundwater treatment, or contaminant stabilisation. Non-compliance can result in fines, penalties, or legal action.
- The EPA enforces these regulations, ensuring compliance through site assessments, cleanup oversight, and long-term impact monitoring.

The recently developed Site Contamination Policy and Operating Guidelines were developed in consultation with the EPA.

Engaging external site contamination specialists

The CoA has established a panel of certified and experienced site contamination consultants to support the CoA to manage contamination issues effectively.

The site contamination experts are required to:

- Provide advice on managing identified site contamination.
- Recommend actions, activities and processes to manage site contamination issues accordingly.
- Determine if land is fit for purpose.

Overall Process

The CoA has established the following three (3) step site contamination approach:

1. **Assess:** The CoA begins by identifying the likelihood, nature, and extent of contamination on a site based on its intended use. This involves developing a Conceptual Site Model (CSM) during both the preliminary and detailed site investigation stages. The assessment process follows the tiered site assessment guidelines outlined in the *National Environment Protection (Assessment of Site Contamination) Measure 1999* (NEPM- Schedule A.
2. **Remediate:** The next step is to treat, contain, remove, or manage chemical substances on or below the site surface. The goal is to eliminate or prevent harm to human health and safety, as well as to prevent environmental harm.
2. **Remediate (cont.):** Effective remediation ensures that the site is safe for its intended use and minimizes any potential risks.
3. **Endpoint:** Finally, the process is completed to ensure there is no longer a risk to human health or the environment for non-sensitive land use sites. An appropriately qualified person must submit a report stating that the site is safe, confirming that all necessary measures have been taken to address contamination concerns.

Environmental Site History Register

The CoA maintains an internal Environmental Site History Register (ESHR) to provide comprehensive information about Council-owned properties and private land within the CoA. Key aspects of the ESHR include:

- The ESHR is stored in the central records system (Content Manager) and can be accessed and updated by CoA employees. CoA employees are required to add any collected site contamination information to the ESHR.
- The ESHR includes historic land use information, details of sites with potentially contaminating activities, links to known documents held by CoA and the EPA, links to specific documents like audit and site testing reports and copies of relevant external reports.
- The ESHR also integrates a spatial data layer with data from stockpile soil test reports, waste soil classification details and management plans.
- Limited historic data in the ESHR, dating back only to 2001.
- The Associate Director, Infrastructure; the Associate Director, Strategic Property and Commercial; the Manager, Infrastructure Delivery; the Manager, Technical Services; and the Manager, Infrastructure Planning are responsible for managing and updating the ESHR.

Reporting

The CoA's Site Contamination Operating Guidelines define the following reporting tools for site contamination management:

- Remediation and Validation Reports (RVR), provided by site contamination experts.
- Interim Audit Advices (IAA).
- Site Contamination Audit Reports (SCAR).

In addition, the ESHR (refer above for further details) provides an overview over contaminated sites and status of remediation activities.

Summary of Findings

Internal Audit identified two (2) moderate, one (1) low risk-rated findings and one (1) performance improvement opportunity (PIO). 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 5**).

Rating	Ref #	Finding
Moderate	**1**	Limited integration of site contamination activities within the project management framework
Moderate	**2**	Limited ongoing monitoring of site-specific contamination obligations and recommendations
Low	**3**	Insufficient site contamination awareness training
PIO	**4**	Greater clarity required on thresholds to trigger site contamination risk assessment

Detailed Findings

Finding 1: Limited integration of site contamination activities within the project management framework

Moderate

Observations	Recommendation(s)	Agreed Management Actions
There is currently a lack of integration between the CoA's project management framework and site contamination management activity. The CoA has a project management framework in place that provides a structured approach to planning, executing and managing delivery of projects, however: • The newly introduced Site Contamination Operating Guidelines are not sufficiently incorporated into the current project management framework. This may lead to limited understanding of the need to consider potential site contamination and management activities performed during the project planning stage, such as early project phase risk assessments, testing and site assessment for financial and timeline planning activities prior to contract award. • Stakeholder meetings clarified that the current reactive approach to project site contamination management has historically led to an impact in meeting delivery timelines and budget overruns (e.g. Rymill Park remediation activities and recent stormwater drainage clearing work). • Recently, the CoA has implemented an ESHR to identify contamination on lands it manages. However, the current project management framework does not reference the ESHR. Additionally, due to the lack of ongoing training and awareness programs (refer Finding 3), project managers may not be aware of the need to consult and update the ESHR during the planning and completion stages, respectively. **Potential Risks:** • The failure to incorporate site contamination investigations at the early stages of the project lifecycle increases the risk of inconsistent site contamination management activities and a lack of proactive measures. • Reactive management approaches to site contamination may cause unexpected delays, adversely impacting project delivery schedules. *Continued on following page.*	1. **Integrate Site Contamination Operating Guidelines into Project Planning:** Ensure that the newly introduced Site Contamination Operating Guidelines are fully integrated into the project management framework. This can be achieved by updating the project management framework to include specific steps for site contamination investigations during the early stages of the project lifecycle. This will help in conducting proactive risk assessments and planning for potential site contamination issues before contract awards. 2. **Leverage the existing site contamination data from the ESHR:** To support Recommendation 1.1, ensure clear reference is made to the newly implemented ESHR to inform project planning and decision-making processes.	1. Agree, will include reference to the Site Contamination Operating Guidelines in the Design (Detailed Planning) Phase in the PMO System. **Responsibility:** Manager, PMO **Target Date:** 31 July 2025 2. Agree, will include reference to the ESHR in the Design (Detailed Planning) Phase in the PMO System. **Responsibility:** Manager, PMO **Target Date:** 31 July 2025

Finding 1: Limited integration of site contamination activities within the project management framework (contd.)

Moderate

Observations	Recommendation(s)	Agreed Management Actions
Continued from previous page. **Potential Risks (cont.):** • Without early identification and management of site contamination, remediation activities may require additional unplanned expenditure, leading to budget overruns or de-scoping of projects. • Failing to adhere to the *Site Contamination Policy* from the outset could result in non-compliance with regulations. • Increase in the likelihood of exposure to environmental and safety hazards to project personnel during implementation.	**3. Conduct training and awareness activity:** Provide training sessions and workshops for project managers and other key stakeholders to increase their awareness and understanding of the importance of site contamination management and how to effectively apply the guidelines. As required, identify key project managers and ensure regular communication and collaboration with these project managers to ensure they are informed and engaged in the site contamination management process. This can help in aligning expectations and promoting a proactive approach.	3. Agree, in conjunction with Recommendation 3 of Finding 3, training material will be developed by site contamination subject matter experts and the People team will assist in roll-out of the training material. **Responsibility:** Associate Director, Infrastructure and Associate Director, City Operations **Target Date:** 30 June 2026

Finding 2: Limited ongoing monitoring of site-specific contamination obligations and recommendations

Moderate

Observations

The CoA does not actively monitor site-specific contamination obligations and recommendations identified in Environmental Management Plans (EMP) for parklands, and the ESHR lacks specific information on ongoing site contamination management requirements.

The CoA utilise EMPs and Site Management Plans (SMPs) to manage and monitor sites to ensure that the risk from contamination remains at an acceptable level.

The EMPs and SMPs currently:

- Provide detailed guidelines on how a site should be controlled, outlining necessary measures to mitigate any environmental risks.
- Typically include a set of "Minimum Future Management Controls," specifying ongoing and future actions required to maintain site safety.

Additionally, the EMPs and SMPs are reviewed technically every five years to ensure their recommendations remain effective and relevant.

It is acknowledged that the CoA does not currently have ongoing reporting requirements to the EPA borne from EMPs, and that recommendations/actions are for the purpose of guiding the CoA to be a responsible land manager.

The EMPs and SMPs are linked to the ESHR and must be provided to contractors and onsite workers before commencing any works to ensure comprehensive understanding and compliance with the specified management protocols. However:

- The CoA currently lacks formalised processes to monitor long-term site contamination obligations, implementation activity from temporary projects and to track recommendations included in EMPs and SMPs.
- Stakeholder meetings highlighted that the maintenance work order system (work order examples: mowing, litter pick-up, garden maintenance, tree removals, ground pruning, irrigation repairs, etc.) is not linked to the ESHR or utilised to support ongoing management obligations as defined by EMPs.

Continued on following page.

Recommendation(s)

1. **Establish a Monitoring Process:** Develop a formalised process to monitor long-term site contamination obligations and track recommendations from EMPs and SMPs. This process should include regular reviews and updates to ensure compliance with ongoing obligations and recommendations.
2. **Integrate Systems:** Link the maintenance work order system with the ESHR to support ongoing management obligations. This integration will ensure that maintenance activities are informed by site contamination data and help in managing contaminated land effectively.
3. **Improve Communication and Documentation:** Ensure that all contractors and CoA onsite workers receive comprehensive EMPs and SMPs before commencing any work to maintain compliance and safety standards.

Agreed Management Actions

1. Agree.

   Responsibility Associate Director, Infrastructure

   Target Date: 30 June 2026

2. Agree.

   Responsibility: Associate Director, Infrastructure

   Target Date: 31 December 2026

3. With the implementation of Recommendation 2, work orders will identify where site contamination and other environmental considerations for a specific site are required. Change management activity will be conducted during and post that implementation to support roll-out.

   Responsibility: Associate Director, Infrastructure and Associate Director, City Operations

   Target Date: 31 March 2027

Finding 2: Limited ongoing monitoring of site-specific contamination obligations and recommendations (contd.).		Moderate
Observations	**Recommendation(s)**	**Agreed Management Actions**
Continued from previous page. Better practice would dictate a formalised process to monitor long-term site contamination obligations and integrate the maintenance work order system with the ESHR to ensure informed and effective management of contaminated land. Additionally, regularly consulting with external site contamination experts will help identify potential risks and implement best practices for site contamination management. **Potential Risks:** • Without active monitoring of site-specific contamination obligations and recommendations in EMPs and SMPs, the CoA risks non-compliance with legal and environmental regulations. • Lack of monitoring and management can result in untreated or unresolved contamination spreading, posing serious health risks to the public, contractors, and CoA employees. • The absence of integrated processes between EMPs, SMPs, and the maintenance work order system may result in resources being misallocated, leading to incomplete or redundant work, and maintenance personnel might be uninformed about critical contamination risks during their activities.		

Finding 3: Insufficient site contamination awareness training

Low

Observations	Recommendation(s)	Agreed Management Actions
The CoA does not have a planned program for the ongoing delivery of specific site contamination training to key staff members. It was acknowledged that the CoA has recently updated the Site Contamination Policy and rolled-out Site Contamination Operating Guidelines to support this policy in September 2024. As part of a change management approach with the release of these new artefacts, a workshop was conducted in August 2024 with key personnel to discuss the new policies and procedures. Topics discussed during this workshop included: policy scope, site contamination management context, review process and consultations, management framework, responsibilities across the CoA and triggers and response actions. However: • No formal training or ongoing communication on these artefacts have been conducted since that initial workshop. • A training needs analysis was not conducted for key personnel that would be impacted by the newly introduced Site Contamination Policy and supporting guidelines. In addition, key site contamination competencies for relevant roles (e.g. project managers) was not defined. Stakeholder meetings highlighted that most project managers do not have a background in site contamination, underscoring the need for comprehensive training programs. **Potential Risks:** • Without specific site contamination training programs, key staff members may lack the knowledge and skills necessary to properly implement the updated Site Contamination Policy and Operating Guidelines. This may increase the risk of non-compliance with internal procedures and external regulations, resulting in legal and environmental liabilities. • Untrained staff may inadvertently mishandle contaminated sites, increasing the risk of exposure to hazardous substances for themselves, other workers, and the public. • Project managers and other key personnel without sufficient training in site contamination may be unable to effectively manage contamination risks, leading to delays, cost overruns, and suboptimal project outcomes.	**1. Conduct a Training Needs Analysis (TNA):** Perform a comprehensive TNA to identify the specific training requirements of key personnel impacted by the Site Contamination Policy and Operating Guidelines. **2. Establish competencies:** To support Recommendation 1, determine the critical site contamination competencies needed for various roles, such as project managers, and tailor training programs accordingly. **3. Develop and Implement Formal Training Programs**: Design and implement formal, ongoing site contamination training programs based on the outcomes of the TNA. Include training modules on policy scope, contamination management context, procedures, responsibilities, and emergency response actions. Refresher training should be conducted after the roll-out of the formal training program.	1. & 2. Agree, the business areas will define the list of training requirements for personnel. The Associate Director, People will facilitate discussions between the relevant business areas and monitor the implementation of the final training and competency requirements. **Responsibility:** Associate Director, Infrastructure and Associate Director, City Operations **Target Date:** 30 June 2026 3. Agree, this will be conducted as part of Recommendation 3 in Finding 1. **Responsibility:** Associate Director, Infrastructure and Associate Director, City Operations **Target Date**: 30 June 2026

PIO 1: Greater clarity required on thresholds to trigger site contamination risk assessment

PIO

Observations	Recommendation(s)	Agreed Management Actions
The CoA does not quantify or define a threshold for ground disturbing activities that would trigger site contamination risk assessments. The absence of a clear threshold for ground disturbing activities leads to inconsistent practices due to the unclear requirements on when to request site contamination risk assessments. Better practice would include a risk-based ground disturbance permit or checklist to support consistent decision making that integrates the management of key risks associated with ground penetration, such as cultural heritage, biodiversity, underground utilities checks and site contamination.	1. **Define threshold for ground disturbing activity:** Establish a quantifiable threshold that triggers site contamination risk assessments. This threshold should be clearly defined and communicated to ensure consistent practices.	1. Not required as: • All project-related work will undergo appropriate site contamination risk assessments. • In the case of maintenance activity, and in consideration of the Management Response in relation to Finding 2, Recommendation 2, the work order system will check with the ESHR to identify if the respective areas has known site contamination risks.

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Appendix 1 – Scope of Work

Background

In accordance with the 2024/2025 Internal Audit Plan for the Corporation of the City of Adelaide (CoA), an internal audit focussing onsite contamination management was performed. The objective, scope and approach are outlined below.

Objective

The objective of this internal audit was to assess the effectiveness and efficiency of the processes in place to identify, manage, and remediate contaminated sites. This included a review of key strategic documents, including CoA's plans to manage and report on environmental metrics.

Scope of Services

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

- Evaluating the CoA's relevant policies and procedures that support compliance with key obligations of the Environment Protection Act 1993 (SA) and the Environment Protection Regulations 2023 (SA).
- Relevant roles and responsibilities are sufficiently defined, including the management of key obligations.
- Assessing relevant processes and key controls relating to the management of contaminated sites, including the following specific areas:
  - Identification and record keeping.
  - Ground disturbance[1] management for CoA activity.
  - Contaminated soil handling.
- General land management activities undertaken by the CoA, such as mulching, grass cutting and facilities management.

[1]Ground Disturbance: Any work requiring a penetration into the ground surface. Examples of ground disturbance include trenching, excavations, post holes, soils borings, groundwater monitoring, well installation, scraping, digging barrow pits, and driving stakes.

Scope of Services (cont.)

- CoA process over the identification of land contaminated by third parties and monitoring of remediation actions taken/to be taken by identified third parties.
- Reporting on the management and remediation of contaminated sites, including relevant environmental metrics.
- Identifying gaps and provide recommendations of best-practice insights of site contamination management practices from similar organisations.

Scope exclusions

- Land development applications processes and systems for contaminated sites.
- Land acquisitions due diligence system including processes relating to acquisition of contaminated sites.
- Management of groundwater contamination.
- Hygiene related issues of asbestos or other contamination.

Approach

This engagement was performed using the following approach:

- Conduct a desktop review of relevant documentation.
- Conduct a maximum of seven (7) consultations with relevant key stakeholders to understand current site contamination management practices and compliance monitoring processes.
- Development of recommendations based on the work performed above.
- Close-out meeting with the internal audit project sponsor and key stakeholders to discuss initial findings and recommendations.
- Preparation of an internal audit report including identified control gaps, and recommendations for strengthening controls and aligning to better practice.

Appendix 2 – Stakeholders Consulted

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

Team	Name	Role
Asset Management	Simon Davis	Team Leader Asset Planning
Buildings	Rouchen Liu	Asset Planner, Buildings
City Maintenance	Scott Rodda	Manager, City Maintenance
Corporate Governance & Legal	Janet Crook	Team Leader, Corporate Governance & Legal (former)
Corporate Governance & Legal	Annette Pianezzola	Risk and Audit Analyst
Horticulture	Kevin Baker	Team Leader, Horticulture
Infrastructure	Mark Goudge	Associate Director, Infrastructure
Infrastructure	James Finnis	Project Manager
Infrastructure	Geoff Regester	Manager IDT
Park Lands, Policy & Sustainability	Sarah Gilmour	Associate Director, Park Lands, Policy & Sustainability
Park Lands, Policy & Sustainability	Matthew Field	Manager Park Lands & Sustainability
Project Management Office (PMO)	Michelle Arbon	Manager, PMO
Regulatory Services	Steve Zaluski	Associate Director, Regulatory Services
Strategic Project Management	Lee Sugars	Strategic Project Officer
Strategic Property and Commercial	Shaun Coulls	Manager, Strategic Property and Commercial
Strategic Property and Commercial	Mike Philippou	Associate Director, Strategic Property and Commercial
Urban Elements & Park Lands	Peter Young	Asset Manager Urban Elements & Park Lands
Asset Management	Simon Davis	Team Leader Asset Planning

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
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 the 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

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 the 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 entirely 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.

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Interim Report on the 2025 External Audit

Friday, 13 June 2025
Audit and Risk Committee

Strategic Alignment - Our Corporation

Program Contact:
Nicole Van Berkel, Acting Associate Director Finance & Procurement

Public

Approving Officer:
Anthony Spartalis, Chief Operating Officer

EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the 2025 External Audit.

Under Section 129 of the *Local Government Act 1999* (SA) the Auditor must provide to Council a report on matters arising from the audit and specifically identify in the report, any irregularity in the Council's accounting practices or the management of the Council's financial affairs identified by the Auditor during the course of the audit.

BDO Chartered Accountants (BDO) (the Auditor) completed their interim audit during the period 28 April 2025 through to 16 May 2025. Based on their work to date, BDO have provided an "Interim Report on the 2025 External Audit" to the Presiding Member of the Audit and Risk Committee, per **Attachment A**.

BDO's Interim Report notes they have identified no material deficiencies in internal controls which would impact audit testing or expose the Council to risk of material misstatement of results for the year ended 30 June 2025. A final report on matters arising from the audit will be provided to the Audit and Risk Committee at the September 2025 meeting.

The Terms of Reference of the Audit and Risk Committee includes responsibility for reviewing findings and reports from External Auditors.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the Interim Report on the 2025 External Audit as contained in Attachment A on Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 13 June 2025.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Outcome - Financial sustainability; critical to achieving our vision and Council will prudently manage its revenue, costs, debt and assets
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	Under Section 129 of the *Local Government Act 1999* (SA) and Section 126(4)(c) of the *Local Government Act 1999* (SA) identifies the functions of an Audit Committee as: "Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis".
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

1. The external auditors for the City of Adelaide are BDO Australia (BDO). The role of the external auditor is to provide an opinion to Council with respect to audited financial statements. In planning the audit, the auditor considers the internal controls to determine their audit procedures for the purpose of expressing an opinion on the financial statements, and the effectiveness of the financial control environment.
2. Under Section 129 of the *Local Government Act 1999* (SA) (the Act) the auditor must provide to Council a report on particular matters arising from the audit and specifically identify in the report, any irregularity in the council's accounting practices or the management of the council's financial affairs identified by the auditor during the course of the audit.
3. At the meeting of the Audit and Risk Committee on 21 February 2025, the Audit and Risk Committee endorsed the proposed 2024-25 End of Year financial reporting process and external audit timetable (Link 1). The associated report highlighted that BDO had scheduled to carry out their audit in two parts with the interim audit conducted in May 2025 and the final phase of the audit concentrating on the Corporation's draft financial statements, to be carried out at the end of August 2025.
4. The audit plan identified a preliminary risk assessment against the Better Practice Model.
5. BDO have completed their interim visit which was focussed on the internal control environment, and are now in a position to formalise their initial risk assessment through an "Interim Report on the 2025 External Audit" (Interim Report) per **Attachment A**.
6. BDO has not completed testing of all the core controls because some controls relate to annual processes and consequently will not occur until the end of the financial year, with such controls more closely aligned to testing normally conducted after year-end.
7. The controls yet to be tested yielded no exceptions in the prior year nor does current internal reporting indicate significant issues.
8. Based on the work-to-date, BDO's Interim Report notes they have identified no material deficiencies in internal controls that would lead to a qualification to the audit report on internal controls.
9. Key areas of focus identified during the audit planning process included:
    - 9.1. Revaluation of infrastructure assets
    - 9.2. Accounting treatment of Capital Works in Progress (WIP)
    - 9.3. Management override of internal controls – standard compliance check
    - 9.4. Recognition of grant funding and accuracy of any amounts deferred at 30 June 2025
    - 9.5. Other Matters (Lease accounting, impairment and major capital project development).
10. It is appropriate that the Audit and Risk Committee notes the Interim Report on the 2025 External Audit.
11. In accordance with the agreed timetable endorsed by the Audit and Risk Committee at the 21 February 2025 meeting, BDO will present a final report on matters arising from the audit to the Audit and Risk Committee at the 24 September 2025 meeting.

DATA AND SUPPORTING INFORMATION

Link 1 - 2024-25 End of Year financial reporting process and external audit timetable

ATTACHMENTS

Attachment A – Interim Report on the 2025 External Audit

- END OF REPORT -

City of Adelaide

Interim Management Letter 2025

Period ended 30 June 2025

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Dear Audit and Risk Committee Members

Thank you for the opportunity to present our interim management letter for City of Adelaide for the year ending 30 June 2025.

We have now completed our interim visit and finalised our audit plan for the audit. We acknowledge that further business developments, circumstances, and additional matters may arise. Our audit approach will be responsive to these changes and will maximise audit effectiveness so we can deliver the high-quality audit you expect.

This letter is intended solely for management and the Audit and Risk Committee and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this letter with you at the Committee meeting on 13 June 2025.

Please feel free to contact me on +61 8 7324 6147 if you have any questions or would like to discuss the content of this plan further.

Yours faithfully

Linh Dao
Lead Audit Partner

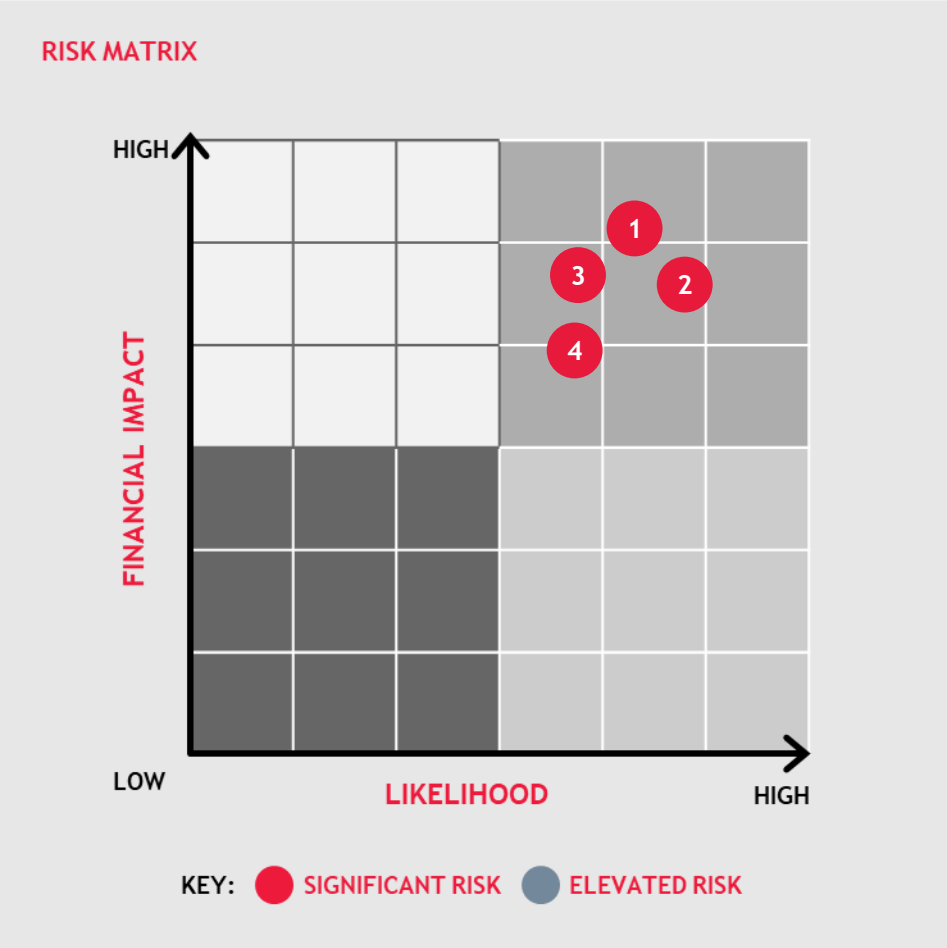
Adelaide, 3 June 2025

Risk assessment and areas of focus

In line with our audit approach and based on our understanding of City of Adelaide, we have identified the risks of material misstatement (RMM) at both the engagement and assertion level. In assessing the RMMs, we use a spectrum of risk based on the likelihood of a misstatement occurring and the magnitude of the misstatement in the context of our materiality. We use inherent risk factors (complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or fraud) to drive risk identification and assessment.

Our initial assessment is shown in the matrix for the risks identified at the upper end of our spectrum (Significant and Elevated).

On the subsequent page we have set out our perspective on the potential impact on the financial statements and our proposed approach to respond to the risks. We will continue to be alert for risks during the course of the audit and update our assessment and responses as required.



Risk assessment and areas of focus *continued*

#	AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
1	Revaluation of infrastructure assets	Council's infrastructure assets, land and buildings are carried at valuation. There is a risk that these balances are misstated as a result of the application of inappropriate valuation methodologies, or incorrect underlying assumptions.	We have been briefed by management that full revaluations are underway for lights, poles, cables and conduits, switch boards, power bollards, traffic signals and CCTV cameras. We have had preliminary discussion with management on the proposed valuation methodologies for individual classes of assets, including the approach for those that condition audit might not be undertaken independently for this year. Management has also advised us that indexation will be applied to bridges, footpaths, roads, water infrastructure, kerbs, and the water table. These assets were subject to full revaluation in recent years, footpaths in FY2023 and the remainders in FY2024. The indexation exercise is planned to ensure Council's compliance with AASB 116.40 requirements in between formal revaluation exercise. We expect that the revaluation work will be completed and ready for audit by the commencement of our year-end visit. We will report the audit findings at our completion report accordingly.
2	Accounting treatment of Capital Work in Progress (WIP)	There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards.	We have been briefed on the progress in relation to capital work in progress, in particular the capitalisation and/or expensing of items and the handover process of completed capital projects during the year. Similar to prior year, management does not intend to perform any manual capitalisation for assets that have reached practical completion before the reporting date as part of the year-end process and all capitalisation will happen in Assetic, Council's asset management application system. Projects that have reached practical completion but not yet been capitalised to Assetic will remain in WIP and management has assessed that any depreciation impact on Council's surplus or deficit would be clearly trivial to the financial statements.

Risk assessment and areas of focus *continued*

#	AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
			It is expected that the underlying asset records and associated reconciliations for Capital WIP will be completed before the commencement of our year-end visit.
3	Management override of internal controls	Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override control that otherwise appear to be operating effectively.	Our interim testing has not identified any evidence of management override of internal controls. We will revisit this during our year-end visit, complete our testing and report our findings accordingly.
4	Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2025	There is a risk of error in the calculation of grant income recognised and deferred at the end of the year by reference to grant agreements and Australian Accounting Standards.	Council continued to report significant deferred grant income at the interim date, however this is largely due to the timing between the receipt and delivery of the required outcomes. We have been provided with the Council's grant register and briefed on management's assessment process to determine whether a grant is of a capital or operating nature. We have made initial inquiries with management and will revisit this accounting during our year-end visit.

Risk assessment and areas of focus *continued*

Other Matters

Revision of lease term and useful lives of the Upark leasehold improvement

We have been briefed by management that Council has reassessed the extension option available to Council for one of its carparks, and that it is now reasonably certain that Council will be taking up this option to extend the lease, which is considered as a lease modification in accordance with AASB 16 and needs accounting for accordingly. Management has provided us with their position paper for the accounting treatment as the result of the lease term reassessment. We provided management with our initial feedback as well as requests for supporting documents to undertake the necessary audit procedures. We will finalise the work as part of the year-end visit and report to Council accordingly.

The lease term reassessment will also result in consideration required for associated leasehold improvements. We were briefed by management that they are in the process of reviewing useful lives of leasehold improvement assets as part of the year-end reconciliation process, ensuring the assets are depreciated over the shorter of the useful lives of the assets and the lease terms. We will audit such assessment as part of the year-end revisit.

Impairment of Smart Parking Sensors

We have been briefed by management on the likely impairment of the Council's smart parking sensors and obtained management's position paper regarding the need for and potential impact of the impairment. We will revisit this matter as part of our year-end visit to assess the support for management's position and confirm recognition in accordance with accounting standards.

Major capital project development

Management has briefed us on the progress of 3 major projects being Central Market Arcade Redevelopment (‘CMAR’), 88 O’Connell and Adelaide Aquatic Centre Redevelopment (‘AAC’) to date. We were advised that there have been no amendments made to previously signed agreements and projects continue to progress as planned. We will audit the associated financial statement areas, including any disclosures, as part of the year-end visit and report to Council accordingly.

Internal Control Assessment

Update on our opinion in relation to internal controls

We have commenced planning and testing of internal controls for the purpose of providing an audit opinion on Council's internal controls. Specifically controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with legislative requirements.

Our assessment of internal controls is based on the criteria in the Better Practice Model – Financial Internal Control for South Australian Councils as issued by the Local Government Association of South Australia.

At the time of this report, we have not completed all testing of core controls as some relate to annual processes and consequently will not occur until the end of the financial year, or others are more closely aligned to testing we would normally conduct after year end. The controls to be tested did not yield exceptions in the prior year nor does the current Promapp reporting indicate significant issues.

Based on the work to date, we have not noted any material exceptions that would lead to a qualification to the audit report on internal controls. We will continue our work on internal controls at the year-end visit and will report to Council accordingly.

Appendix 1 New developments

Changes in financial reporting for 30 June 2025

Amendments to AASB 101 for classifying liabilities as current or non-current

Effective for annual reporting periods beginning on or after 1 January 2024, there are three main changes to the classification requirements within AASB 101 *Presentation of Financial Statements*:

- The right to defer settlement for at least 12 months must exist at the end of the reporting period. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants) as at the reporting date, the right to defer (and therefore classify at least part of the loan as non-current) only exists at the reporting date if the entity complies with those conditions at the reporting date (paragraph 72B)
- Classification is based on the right to defer settlement, and not intention. Accordingly, if an entity has the right at the end of the reporting period to roll over an existing obligation for at least 12 months after the reporting period, it classifies the obligation as non-current, notwithstanding the entity may intend to settle the liability earlier (paragraph 73), and
- If a liability could be settled by the lender requiring the entity to transfer to the lender its own equity instruments prior to maturity (e.g. a convertible bond), classification of the liability is subject to whether the conversion feature is classified as a liability or equity instrument. If the conversion feature is classified as a liability and could be exercised within 12 months of the reporting date, the liability is classified as current. Alternatively, if the conversion feature is classified as equity under AASB 132 *Financial Instruments: Presentation*, the conversion feature does not affect the classification of the convertible bond (paragraph 76B). Our publication provides examples to assist with appropriate classification.

Classifying loans can be complicated where there has been a breach of a loan covenant, and can depend on whether and when the lender has provided a waiver or a period of grace. Our publication includes a flowchart and detailed examples to assist in this analysis.

These amendments apply for the first time to the classification of liabilities as current or non-current in the 30 June 2025 balance sheet. Comparatives must be restated in the 30 June 2024 balance sheet and in the 1 July 2023 opening balance sheet.

New developments in financial reporting - standards issued, not yet effective

AASB 18 *Presentation and Disclosure in Financial Statements*

On 9 April 2024, the International Accounting Standards Board issued IFRS 18 *Presentation and Disclosure in Financial Statements* (AASB 18 in Australia), a new financial statements presentation standard to replace IAS 1 *Presentation of Financial Statements*. Our bulletin contains a high-level summary of the amendments.

The changes require income and expenses to be classified into one of the following five categories – investing, financing, income taxes, discontinued operations and operating ('operating' being the residual or 'catch all' category). Classification follows an entity's 'main business activities' so AASB 18 is likely to result in different presentations across entities. The Statement of Profit or Loss also includes two mandatory subtotals:

- Operating profit or loss – this is a sub-total of all income and all expenses classified as operating, and
- Profit or loss before financing and income taxes – this is the sub-total of operating profit or loss, and all income and expenses classified as investing.

Our publication provides in-depth guidance for classifying income and expenses in the Statement of Profit or Loss.

Appendix 1 New developments *continued*

There are also changes to the Statement of Cash Flows, including how interest and dividend cash inflows and interest cash outflows are classified.

Lastly, the financial statements must include new disclosures in a single note about ‘management-defined performance measures’ such as earnings before interest, taxes, depreciation and amortisation (EBITDA), ‘adjusted profit’, operating profit excluding recurring items, etc. The new disclosures apply to ‘management-defined performance measures' if they are used in public communications outside the financial statements, to communicate to users of financial statements, management’s view of an aspect of the entity’s financial performance. They do not apply to certain specific sub-totals in the Statement of Profit or Loss such as gross profit. They also do not apply to social media posts and oral communications, and to non-IFRS information based on financial measures that are not performance-related (such as measures based only on the financial position of the entity). Also, they do not apply if an entity makes no public communications (as may be the case for private companies).

The changes are effective for annual periods beginning on or after 1 January 2027.

If you have any questions or require more information regarding these changes, please contact our IFRS & Corporate Reporting team.

Appendix 2 Sustainability reporting

What is required?

Legislation to mandate sustainability reporting in Australia was passed by the Senate on 22 August 2024 and received Royal Assent on 17 September 2024. The start date is for years commencing 1 January 2025, with a phase-in period for entities of different sizes and types. Entities required to prepare and lodge financial reports with the Australian Securities and Investments Commission (ASIC) under Chapter 2M of the *Corporations Act 2001* may have to prepare sustainability reports if they meet certain criteria. In particular, entities that do not meet the size threshold tests in section 292A and are neither NGER reporters nor asset owners, are not currently required to prepare sustainability reports.

The legislation requires a 'sustainability report', but climate-related disclosures are the first, and currently the only component of mandatory sustainability reporting.

ASIC's Regulatory Guide 280 (RG 280) was issued on 31 March 2025 and provides entities with practical guidance about complying with their sustainability reporting obligations and about ASIC's approach to administration, supervision and enforcement moving forwards.

Where will climate-related financial disclosures be disclosed?

Climate-related disclosures are required within a sustainability report forming part of the annual report. The sustainability report required by the *Corporations Act 2001* consists of:

- The climate statements;
- Notes to the climate statements;
- Any statements prescribed by legislation; and
- The director's declaration.

ASIC says: Start preparing for climate reporting now

Climate reporting represents the biggest changes to financial reporting and disclosures standards in a generation.

Key actions to take now

Reporting Obligations: Assess whether mandatory sustainability reporting applies.

Risk Disclosure: Balance mandatory and voluntary disclosures, considering stakeholder needs, as this can be seen as a strategic work program vs a compliance activity.

Internal Capability: Train employees or build capability to allocate resources effectively. Given that this is a new area, capability and capacity can be inhibitors.

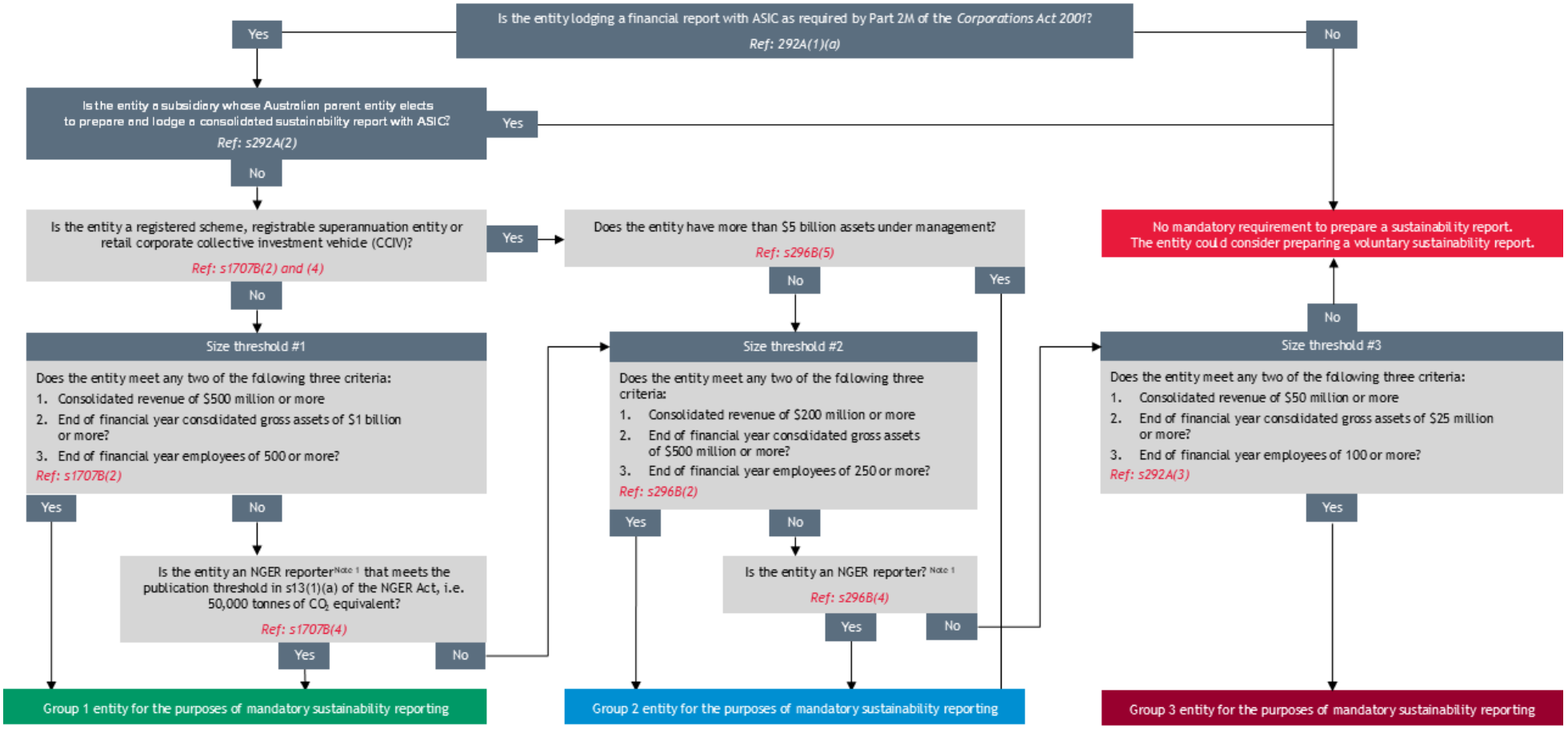
Data Quality and Technology Constraints: Given that some of this information will be being captured and generated for the first time, govern data and assess technology readiness.

Process Maturity and Change Management: Align processes, manage change effectively, and ensure people across the end-to-end process understand the "why".

Appendix 2 Sustainability reporting *continued*

Who is required to prepare climate-related financial disclosures?

The following decision tree diagram will assist you in determining whether your entity is subject to mandatory sustainability reporting, and if applicable, which of the three groups it falls into.



Note 1: An entity is an NGER reporter if it is a ***controlling corporation*** *registered or required to be registered under s12(1) of the National Greenhouse and Energy Reporting Act 2007 (NGER Act).*

Appendix 2 Sustainability reporting *continued*

When will climate-related reporting be mandated?

The following table outlines the first mandatory reporting period end for Group 1, Group 2 and Group 3 entities with different year-ends.

SUSTAINABILITY REPORTS REQUIRED FOR THE FIRST YEAR ENDING ON DATES SHOWN BELOW			
YEAR-END	**GROUP 1 ENTITIES**	**GROUP 2 ENTITIES**	**GROUP 3 ENTITIES**
31 December	31 December 2025	31 December 2027	31 December 2028
31 March	31 March 2026	31 March 2028	31 March 2029
30 June	30 June 2026	30 June 2027	30 June 2028
30 September	30 September 2026	30 September 2027	30 September 2028

Sustainability reporting standards

The Australian Accounting Standards Board is responsible for setting sustainability reporting standards. Its first two standards, AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (a voluntary standard) and AASB S2 *Climate-related Disclosures* (mandatory standard) align closely with IFRS® Sustainability Disclosure Standards.

Your sustainability roadmap

We've created a practical roadmap to guide your implementation of mandatory climate-related disclosures as well as your sustainability journey. It outlines the essential activities and their deadlines. Though Council is not required to report under Corporations Act, and we are not yet aware of any changes in the Local Government Act that would require the inclusion of Sustainability Report in Council's annual report, we have included the suggested best practice roadmap if Council were a Group 2 entity for the mandatory climate reporting purpose in the following page for your information.

Group 2 entities: Best practice roadmap

PROJECT STREAMS			30 June 2025	30 June 2026	30 June 2027	30 June 2028
1	COMPLIANCE FOCUS: Carbon footprint measurement	Scope 1 and 2 emissions	• Set carbon inventory boundary • Develop a Basis of Preparation (carbon accounting methodology) • Measure and report internally scope 1 & scope 2 emissions	• Improve measurement and report internally scope 1 & scope 2 emissions • Set targets in relation to scope 1 & 2 • Conduct an assurance readiness assessment	**Mandatory** calculation and external reporting of Scope 1 and 2 emissions, subject to assurance	
		Scope 3 emissions	Initial measurement (significant estimation) and report internally scope 3 emissions	Improve measurement (significant estimation) and report internally scope 3 emissions	• Improve measurement (less estimation) and report internally scope 3 emissions • Set targets in relation to scope 3 • Conduct an assurance readiness assessment	**Mandatory** calculation and external reporting of Scope 3 emissions, subject to assurance
2	COMPLIANCE FOCUS: Climate-related disclosure	TCFD	Include **all** TCFD disclosures in the annual report, including the following pillars: • Governance • Strategy • Risk Management • Metrics and Targets	• Include **all** TCFD disclosures in the annual report, including the following pillars: ○ Governance ○ Strategy ○ Risk Management ○ Metrics and Targets	TCFD disclosures replaced by AASB S2	
		AASB S2 & Australian equivalent	Conduct an AASB S2 gap analysis	• Conduct a climate risk assessment • Prepare a scenario analysis • Financial modelling of impact on financial statements • Prepare draft AASB S2 (mandatory) disclosures for internal use	**Mandatory** reporting of all AASB S2 disclosures	
3	STRATEGIC FOCUS: Sustainability-related strategy disclosure	AASB S1 (voluntary)	Activate sustainability strategy • Step 1: ASSESS – Current state assessment • Step 2: PRIORITISE - Materiality assessment (stakeholder engagement) • Step 3: COMMIT – Identify gaps	Activate sustainability strategy • Step 4: MEASURE – Commit and measure to address gap identified • Step 5: REPORT – Prepare separate voluntary sustainability report Conduct an AASB S1 (voluntary) gap analysis	Continuous improvement of reporting to stakeholders (e.g. separate voluntary reporting)	

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Internal Audit Plan Update

Strategic Alignment - Our Corporation

Public

Friday, 13 June 2025
Audit and Risk Committee

Program Contact:
Rebecca Hayes, Associate Director Governance & Strategy

Approving Officer:
Anthony Spartalis, Chief Operating Officer

EXECUTIVE SUMMARY

This report provides an update on the Progress Report of Council's Internal Audit Plan (2024-2025) that was considered by the Audit and Risk Committee on 16 May 2025.

Following receipt of the Progress Report in May, two audits have been identified as requiring deferral (IT Governance Framework and On-Street Parking) and therefore will result in an Amendment to the Internal Audit Plan (2024-2025).

In addition, this report also provides the Audit and Risk Committee with a summary of all Internal Audit Actions and compares it to the information provided in May.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Approves the deferral of the IT Governance Framework and On-Street Parking internal audits as outlined in Item 6.3 on the Agenda for the meeting of the Audit and Risk Committee held on 13 June 2025.
2. Notes the progress of the completion of Internal Audit Actions as outlined in Item 6.3 on the Agenda for the meeting of the Audit and Risk Committee held on 13 June 2025.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Outcome – Effective Leadership and Governance Internal audit is an essential component of a good governance framework. It is a mechanism that enables Council to receive assurance that internal controls and risk management approaches are effective, that it is performing its functions legally, effectively and efficiently, and to advise how it can improve performance.
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	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 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 Internal Audit Plan 2024-2025 (the Plan) has been developed in response to Council's key strategic risks and priorities.
2. The role of Internal Audit is to provide independent assurance that the Council's risk management, governance and internal controls processes are operating effectively.
3. The Plan was approved by the Audit and Risk Committee (ARC) at its meeting on 14 June 2024.
4. The Plan is a risk-based program developed with the Council's Executive and Strategic Risk and Internal Audit Group (SRIA).
5. A status update on the Plan is provided at Link 1

Internal Audit Plan Update

6. ARC was advised at its meeting of 16 May 2025 of a proposal to amend the Plan through the deferral of two internal audits. The proposed deferrals have been discussed with Council's internal auditor KPMG and with SRIA.
7. The deferrals proposed are:
    7.1. **IT Governance Framework—KPMG—**Deferral proposed following advice from KPMG. KPMG consider similar findings will be identified to those in the previous TechnologyOne Post Implementation Review, which was presented to ARC at its meeting on 16 May 2025. Administration has committed to consider this internal audit as part of the Internal Audit Plan 2025 – 2028.
    7.2. **On-street Parking**—KPMG and SRIA discussed and noted that the intent of this internal audit concerns revenue controls. The overall revenue platform for collecting and recording revenue for on-street and off-street parking is the same platform, and was addressed as part of the KPMG internal audit on UPark Operations.

Internal Audit Actions

8. Recommendations and agreed actions, responsibilities and timeframes for implementation are recorded in the Council's process mapping and management software, Promapp.
9. The implementation status of recommendations is tracked and reported to ARC.
10. Updates following the ARC meeting on 16 May 2025 include:
    10.1. Administration reported there was a total of 14 high risk actions open. Since May, the 'finalisation of the procedures for the *Local Government Act 1999* (SA) 172, 173, 174' has been completed and there are now 13 high risk actions open.
    10.2. Administration reported that a total of 24 moderate risks were currently open. Since May, the 'initiate discussion and establish regular meetings with CoA and Fines Enforcement and Recovery Unit' has been completed. There have been 2 additional actions included from the Site Contamination Internal Audit report included as 'In Progress'. There are now 25 moderate risk actions open.
    10.3. Administration reported there was a total of 16 low risk actions open. Since May, the 'archiving of documents for Community Safety operations', 'implementation of effective communication process in an emergency by having diverse mobile phones and a collation of staff phone numbers' and 'development of a formal process for procurements valued under $150,000' have been completed. There has been 1 additional action included from the Site Contamination Internal Audit report as 'In Progress'. There are now 14 low risk actions open.

10.4. Administration reported there was a total of 10 improvement opportunities actions open. Since May, the 'identification of types of Customer inquiries to be forwarded to the Community Safety team', 'review of the Asset Accounting Policy' and 'discussions with CoA and Department Infrastructure and Transport' have been completed. There has been 1 additional action included from the Site Contamination Internal Audit report as 'In Progress'. There are now 7 improvement opportunities actions open.

10.5. A summary of the status of actions is shown in the below table, and detail provided in Link 2.

Risk	Definition	Complete	Overdue	In Progress	**Total Open**
High	Issues represent a control weakness which could have or is having major adverse effect on the ability to achieve project objectives	**1**	5	8	**13**
Moderate	Issues represent a control weakness which could have or is having a moderate effect on the ability to achieve process objectives.	**1**	3	22	**25**
Low	Issues represent a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives	**3**	1	13	**14**
N/A	Improvement Opportunity	**3**	1	6	**7**
	Total	**8**	10	49	**59**

DATA AND SUPPORTING INFORMATION

Link 1 – Internal Audit Plan 2024-2025 Status Update
Link 2 – Progress of Agreed Actions Report

ATTACHMENTS

Nil

- END OF REPORT -

Exclusion of the Public

Program Contact:
Anthony Spartalis, Chief Operating Officer

Approving Officer:
Michael Sedgman, Chief Executive Officer

Public

EXECUTIVE SUMMARY

Section 90(2) of the *Local Government Act 1999 (SA)* (the Act), states that a Council 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.

11.1 Confidential Payment Card Industry Compliance Review [section 90(3) (e) of the Act]

11.2 Confidential Appointment of Internal Auditor [section 90(3) (k) of the Act]

The Order to Exclude for Items 11.1 and 11.2:

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 11.1

THAT THE AUDIT AND RISK COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (e) of the *Local Government Act 1999 (SA)*, this meeting of the Audit and Risk Committee dated 13 June 2025 resolves that it is necessary and appropriate to act in a meeting closed to the public as the consideration of Item 11.1 [Confidential Payment Card Industry Compliance Review] listed on the Agenda.

   Grounds and Basis

   This Item is confidential as it affects the security of the council internal network.

   The disclosure of information in this report could reasonably identify the weaknesses of council's internal network by identifying the gaps and deficiencies in cyber security.

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit and Risk Committee dated 13 June 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 11.1 [Confidential Payment Card Industry Compliance Review] 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) (e) of the Act.

ORDER TO EXCLUDE FOR ITEM 11.2

THAT THE AUDIT AND RISK COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (k) and section 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit and Risk Committee dated 13 June 2025 resolves that it is necessary and appropriate to act in a meeting closed to the public as the consideration of Item 11.2 [Confidential Appointment of Internal Auditor] listed on the Agenda.

   Grounds and Basis

   This Item is confidential as a procurement process was conducted for tenders to provide a provision of services to Council.

   The disclosure of information in this report could reasonably prejudice the commercial position of the person who supplied the information as part of the tender process.

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit and Risk Committee dated 13 June 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 11.2 [Confidential Appointment of Internal Auditor] 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) (k) 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 reports are submitted seeking consideration in confidence.

   6.3. Information contained in Item 11.1 - Confidential Payment Card Industry Compliance Review.

   6.3.1 Is not subject to an existing Confidentiality Order dated.

   6.3.2 The grounds utilised to request consideration in confidence is section 90(3) (e) of the Act

   (e) Matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person

6.1 Information contained in Item 11.2 – Confidential Appointment of Internal Auditor

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) (k) of the Act

(k) Tenders for the supply of goods, the provision of services or the carrying out of works.

ATTACHMENTS

Nil

- END OF REPORT -

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