

**I hereby give notice that an Audit and Risk Committee Meeting will be held on:**

**Date:** Monday, 29 July 2024  
**Time:** 5.30 p.m.  
**Location:** Council Chamber  
Civic Centre  
10 Watson Terrace  
Mount Gambier

# **AGENDA**

## **Audit and Risk Committee Meeting 29 July 2024**



**Sarah Philpott**  
Chief Executive Officer  
25 July 2024

## Order Of Business

<b>1</b>	<b>Acknowledgement of Country</b> .....	<b>3</b>
<b>2</b>	<b>Apology(ies)</b> .....	<b>3</b>
<b>3</b>	<b>Confirmation of Minutes</b> .....	<b>3</b>
<b>4</b>	<b>Questions without Notice</b> .....	<b>3</b>
<b>5</b>	<b>Reports</b> .....	<b>4</b>
5.1	Correspondence Received – Report No. AR24/43693 .....	4
5.2	Internal Audit - Payroll and Remuneration – Report No. AR24/29749 .....	84
5.3	Internal Audit - PDI Act - Post Implementation Audit – Report No. AR24/29750... ..	116
5.4	Quarterly Internal Audit Update Report – Report No. AR24/46781 .....	174
5.5	Lease and Licence Update - July 2024 – Report No. AR24/49333 .....	183
5.6	Council Policy Update – Report No. AR24/49733.....	189
5.7	2023/2024 External Audit Interim Management Report – Report No. AR24/50401 .....	194
5.8	Audit and Risk Committee Meeting Report – Report No. AR24/29752 .....	209
<b>6</b>	<b>Motions without notice</b> .....	<b>212</b>
<b>7</b>	<b>Confidential Items</b> .....	<b>213</b>
<b>8</b>	<b>Meeting Close</b> .....	<b>215</b>
	Attachments Item 3      Audit and Risk Committee Meeting - 3 June 2024.....	216





**1 ACKNOWLEDGEMENT OF COUNTRY**

We acknowledge the Boandik peoples as the traditional custodians of the land where we meet today. We respect their spiritual relationship with the land and recognise the deep feelings of attachment our indigenous peoples have with this land.

**2 APOLOGY(IES)**

Nil

**3 CONFIRMATION OF MINUTES**

[Audit and Risk Committee Meeting - 3 June 2024](#)

**RECOMMENDATION**

That the minutes of the Audit and Risk Committee meeting held on 3 June 2024 be confirmed as an accurate record of the proceedings of the meeting.

**4 QUESTIONS WITHOUT NOTICE**



## 5 REPORTS

### 5.1 CORRESPONDENCE RECEIVED – REPORT NO. AR24/43693

**Meeting:** Audit and Risk Committee  
**CM9 Reference:** AF11/863  
**Author:** Ashlee Pasquazzi, Executive Administrator Corporate and Regulatory Services  
**Authoriser:** Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

#### REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR24/43693 titled 'Correspondence Received' as presented on 29 July 2024 be noted.



## BACKGROUND

The report provides details of correspondence received since the previous ordinary meeting of the Audit and Risk Committee and is provided for information.

## DISCUSSION

The following correspondence has been received since the last ordinary meeting:

- Report from Independent Commission Against Corruption (ICAC) - Buying Trust Corruption Risks in Public Sector Procurement issued in June 2024.

## CONCLUSION

This report presents the attached correspondence received for presentation to the Audit and Risk Committee for noting in line with the Audit and Risk Committee Terms of Reference:

*13.3 Other Matters - Shall give consideration to:*

- **Relevant Audits** - *Consider the findings and recommendations of relevant audits undertaken by the SA Auditor General's Office, the South Australian Ombudsmen, Independent Commissioner Against Corruption (ICAC) and other agencies to ensure Council considers the relevant recommendations.*

## ATTACHMENTS

1. Independent Commission Against Corruption (ICAC) Report - Buying Trust Corruption Risks in Public Sector Procurement - June 2024 [↓](#)





# **BUYING TRUST**

## CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT





**BUYING TRUST**  
**Corruption risks in public**  
**sector procurement**

Published June 2024

Level 9, 55 Currie Street  
Adelaide SA 5000  
(08) 8463 5191  
GPO Box 11066  
Adelaide SA 5001  
[icac.sa.gov.au](http://icac.sa.gov.au)



# Contents

<b>LETTER OF TRANSMITTAL</b>	<b>4</b>
<b>COMMISSIONER'S FOREWORD</b>	<b>6</b>
<b>RECOMMENDATIONS</b>	<b>8</b>
<b>CHAPTER ONE: INTRODUCTION</b>	<b>12</b>
The impact of corruption in public sector procurement	12
<b>CHAPTER TWO: GOVERNANCE OF PUBLIC SECTOR PROCUREMENT</b>	<b>16</b>
Overall perceptions of corruption risks in South Australian public sector procurement	16
Corruption risks associated with complex and compliance-based processes	17
Splitting tenders	18
Black cladding	20
<b>CHAPTER THREE: CONFLICTS OF INTERESTS</b>	<b>22</b>
Undeclared and unmanaged conflicts of interests	23
Post separation conflicts of interests	25
<b>CHAPTER FOUR: GIFTS, BENEFITS AND HOSPITALITY</b>	<b>28</b>
Policies relating to gifts, benefits and hospitality	28
Gifts, benefits and hospitality may create a conflict of interests	30
Culture of entitlement	31
<b>CHAPTER FIVE: MISUSE OF INFORMATION</b>	<b>34</b>
Policies for protecting confidential tender information	34
Leaking of confidential procurement information	35
Unequal provision of information	37
Intellectual property in procurement	38
<b>CHAPTER SIX: TYPE OF PROCUREMENT</b>	<b>40</b>
Open market approaches	40
Direct market approaches	41
Panel and multi-use list procurements	42
Unsolicited proposals	44
Incumbent suppliers	45
<b>CHAPTER SEVEN: PROCESS INTEGRITY</b>	<b>48</b>
Planning a procurement	48
Variations and extensions	49
Evaluating tenders	50
Open periods	51
Failure to segregate duties	52
Exceeding delegated authority	53
Dealing with unsuccessful tenderers	53
Record keeping	54
<b>CHAPTER EIGHT: CAPABILITY</b>	<b>56</b>
Lack of capacity	56
Information and communication technology procurement	58
Procurement under pressure	59
Procurement during times of crisis	60



**2**

**BUYING TRUST**  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

<b>CHAPTER NINE: UNDER REPORTING OF CORRUPTION AND IMPROPRIETY IN PROCUREMENT</b>	<b>62</b>
Suppliers' awareness of reporting obligations	63
Procurement officers' awareness of reporting obligations	64
Fear of negative repercussions	65
Reports of potential impropriety must be actioned	66
<b>CHAPTER TEN: CONCLUSION</b>	<b>68</b>
Red flags of potential corruption in public sector procurement	69
<b>ENDNOTES</b>	<b>72</b>



**3**

**BUYING TRUST**  
 CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Case Studies

CASE STUDY 1: The impact of perceived corruption in public sector procurement	13
CASE STUDY 2: Public officers corruptly award public infrastructure contracts	19
CASE STUDY 3: Procurement improperly influenced by a manager with an undeclared and unmanaged conflict of interests	23
CASE STUDY 4: A conflict of interests is declared but not adequately managed	24
CASE STUDY 5: Suppliers use incentives to improperly influence procurement	30
CASE STUDY 6: Culture of accepting bribes becomes entrenched in a Western Australian department	32
CASE STUDY 7: Confidential tender information is disclosed due to an undeclared and unmanaged conflict of interests	36
CASE STUDY 8: A public officer inappropriately manipulates procurement specifications	40
CASE STUDY 9: A public sector employee improperly procures an unregistered supplier	42
CASE STUDY 10: Unsolicited proposal does not follow due process	44
CASE STUDY 11: Public officers may be perceived to favour an incumbent supplier	46
CASE STUDY 12: Public sector employee improperly favours a supplier by accepting a late tender	51
CASE STUDY 13: Failure to adequately segregate procurement and financial duties results in improper procurement	52
CASE STUDY 14: Public sector employee exceeds her delegation to sign a contract that does not offer value for money	53
CASE STUDY 15: Misguided public sector employee allows neighbour to improperly secure a contract	56
CASE STUDY 16: Procurement officer's lack of experience compromises an ICT procurement	58
CASE STUDY 17: A procurement officer under pressure circumvents procurement policies and procedures	59
CASE STUDY 18: Suppliers are reluctant to report improper conduct	65
CASE STUDY 19: Public authority does not adequately address a complaint made by a supplier	66





4

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Letter of transmittal

30 May 2024

**The Hon. Terence Stephens MLC**  
**President**  
**Legislative Council**  
**Parliament House**  
**North Terrace**  
**ADELAIDE SA 5000**

**The Hon. Leon Bignell**  
**Speaker**  
**House of Assembly**  
**Parliament House**  
**North Terrace**  
**ADELAIDE SA 5000**

Dear President and Speaker

In accordance with section 41(2) of the *Independent Commission Against Corruption Act 2012 (SA)* I present to each of you the Commission's report *Buying Trust: Corruption Risks in Public Sector Procurement*.

Section 41(3) of the Act requires that you each lay the report before your House of Parliament on the first sitting day after receiving it.

Yours sincerely



The Hon. Ann Vanstone KC  
**COMMISSIONER**





6

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Commissioner's foreword

Public sector procurement is vulnerable to corruption. Corruption in procurement can be difficult to detect, may persist over long periods of time, and undermines the provision of essential public services.

Corruption in procurements for large scale infrastructure and construction projects may cost the state sector significant sums of money. Improper conduct in procurement can lead to reputational damage to public authorities and the public sector more generally, and suppliers who believe that tender decisions will be unduly influenced may be reluctant to bid. Corrupt procurement tends to delay or prevent the delivery of essential public services, and result in incomplete or substandard works that put public safety at risk.

For these reasons the Commission has conducted a study into the corruption risks in public sector procurement. This is the second report arising from this project. The first provided quantitative findings from a survey of public sector procurement officers and suppliers who have tendered, or intended to tender, for public sector contracts. This report provides analysis of qualitative survey responses and submissions, reports and complaints referred to the Commission, and insights from other integrity agencies.

While the integrity of public sector procurement in South Australia may have improved in recent years, there is still room for improvement.

Worryingly, some procurement officers are not sufficiently aware of corruption risks. Many lack adequate procurement experience or are under-resourced. Too many are not receiving training in key corruption risks. Many suppliers who hold public sector contracts are unaware of their status as public officers, and that public officers are required to report suspicions of corruption in public administration.

This report has been prepared in accordance with section 41 of the *Independent Commission Against Corruption Act 2012 (SA)* to raise awareness of key corruption risks in public sector procurement. It aims to identify red flags that could indicate corruption and makes 18 recommendations to address weaknesses in public sector procurement open to exploitation by corrupt public sector employees or suppliers.



The Hon. Ann Vanstone KC

Commissioner  
**INDEPENDENT COMMISSION AGAINST CORRUPTION**





## Recommendations

### RECOMMENDATION 1

Public authorities conduct regular procurement audits based on the risk profile of their procurement activities. High risk procurements may include those where the number of suppliers able to tender is limited, extensions or variations are utilised, an incumbent supplier has been reengaged, and those conducted with urgency or in emergencies. Procurements under \$55,000 should be regularly audited for evidence of tender splitting.

### RECOMMENDATION 2

Public authorities prevent non-Aboriginal suppliers taking unfair advantage of schemes intended to assist Aboriginal suppliers to win public sector contracts by verifying the status of suppliers claiming Aboriginal identity.

### RECOMMENDATION 3

Where relevant, public authorities conduct random audits of contracts that are required to have a mandated proportion of labour force hours to be performed by nominated groups.<sup>7</sup> Non-compliance needs to be reported to the Office of the Industry Advocate.

### RECOMMENDATION 4

All public officers involved in procurement, including those with delegation authority, complete training on probity in procurement. This should include training on corruption risks in procurement, conflicts of interests, gifts, benefits and hospitality, the handling of confidential information and public officers' reporting obligations.

### RECOMMENDATION 5

Public authorities ensure that if a participant in a procurement discloses a conflict of interests, a management plan is devised, documented, actioned and monitored.

### RECOMMENDATION 6

Public authorities consider control measures to address post separation conflicts of interests for public sector employees in high risk roles, including exiting procedures, information access restrictions and monitoring, or the use of restraint clauses where reasonable.



6

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

**RECOMMENDATION 7**

The Commissioner for Public Sector Employment ensure that the *Gifts and Benefits Guideline* is consistent with that provided by Procurement Services SA, which recommends that public officers in high risk roles do not accept gifts, benefits or hospitality.

**RECOMMENDATION 8**

Public authorities ensure that internal policies include advice regarding the handling and recording of gifts, benefits and hospitality offered by suppliers in high risk functions including procurement.

**RECOMMENDATION 9**

Public authorities ensure they are complying with *Premier and Cabinet Circular PC035 – Proactive disclosure of regularly requested information*, including publication of information on agencies' websites.

**RECOMMENDATION 10**

Procurement Services SA continue its development and implementation of a Code of Conduct for suppliers.

**RECOMMENDATION 11**

Public authorities conduct regular audits of staff permissions, access and use of confidential procurement information to identify patterns of unusual activity or instances of misuse.

**RECOMMENDATION 12**

Procurement Services SA consider the need for guidance on the proper management and protection of intellectual property during procurement processes.

**RECOMMENDATION 13**

Entities that control panels and multi-use supplier lists vet new suppliers, regularly review existing suppliers on a panel or list, and remove suppliers if they no longer fit relevant criteria or conditions.



10

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

**RECOMMENDATION 14**

Public authorities consider and limit public officers' discretion over procurements and financial decision making, and ensure appropriate segregations and separations are in place.

**RECOMMENDATION 15**

Public authorities conduct regular audits of procurement record keeping, including ensuring all procurement decision making is documented with reasons, and relevant written and verbal communication with suppliers is recorded.

**RECOMMENDATION 16**

Procurement Services SA consider expanding its capacity to assist agencies that require additional support to undertake procurements, especially where that assistance would help safeguard procurements from impropriety.

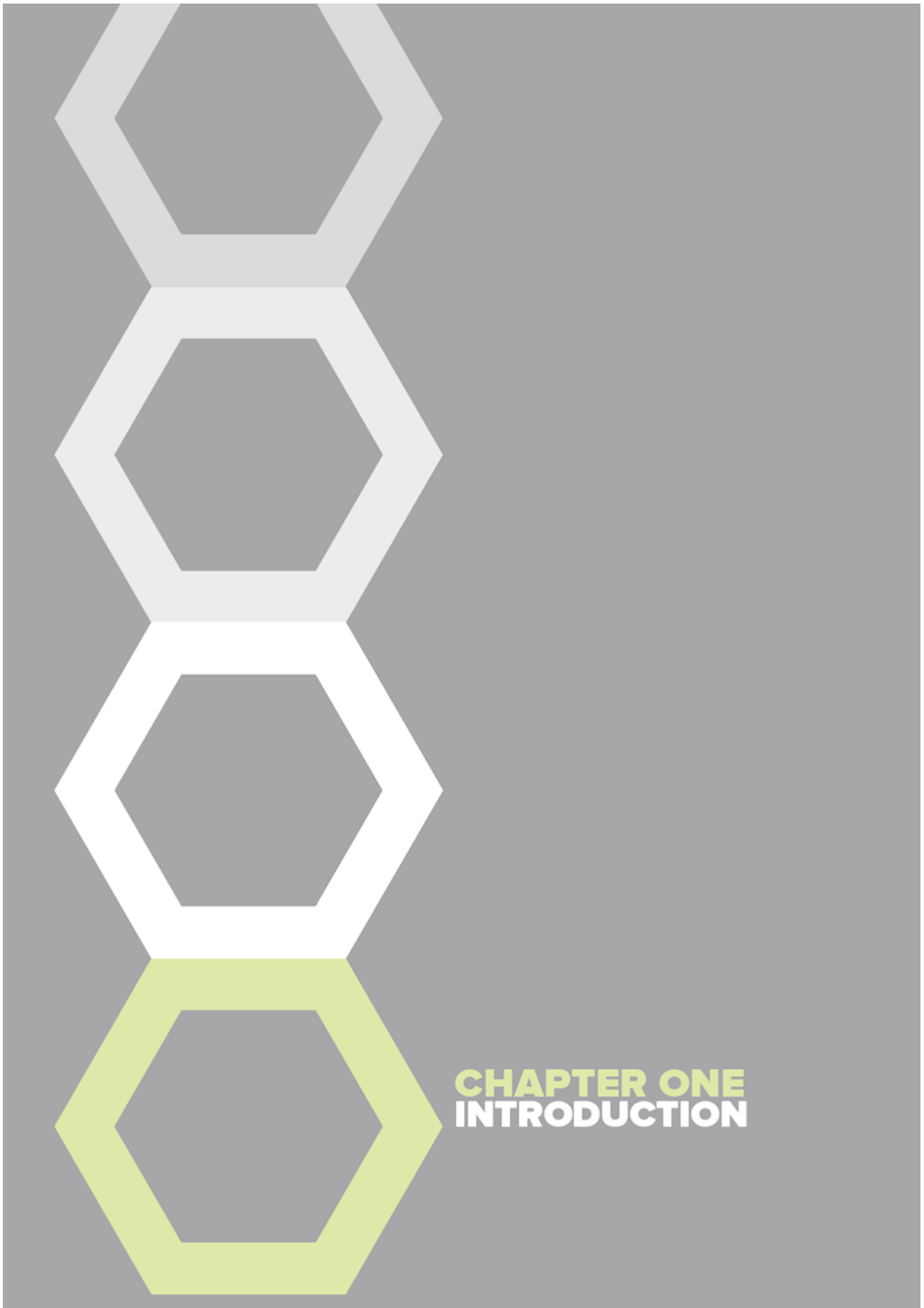
**RECOMMENDATION 17**

Public authorities ensure they have emergency situation procurement frameworks in place and published on their websites.

**RECOMMENDATION 18**

Public authorities provide suppliers with information on internal reporting policies and procedures and suppliers' reporting obligations as public officers. Public authorities ensure that contractors provide corresponding induction material to their subcontractors.







12

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Chapter one: Introduction

Public sector procurement refers to the process by which a public authority acquires goods and services, or engages in a construction project.<sup>2</sup> It involves significant public spending, which can attract those with unscrupulous intentions. The high volume of transactions and often complex nature of procurement processes can create opportunities for improper behaviour as well as making corruption difficult to uncover. Procurement occurs at the intersection between the public and private sectors, where potential for a conflict of interests and collusive behaviour raises the prospect of corruption.

This report examines perceptions and experiences of corruption risks in public sector procurement. Recommendations are made to assist public authorities to prevent and minimise those risks. It draws on findings from surveys conducted with procurement officers and suppliers involved in public sector work,<sup>3</sup> and submissions from stakeholders. It also provides insights from reports about potential corruption in public sector procurement referred to the Commission, and findings from other integrity agencies.

### The impact of corruption in public sector procurement

Corrupt procurement may have serious consequences. It can increase the costs of goods and services, and the delivery of construction projects. Essential services may not be delivered, or the quality of those services reduced. Once corruption is detected, services may need to be interrupted or stopped and public authorities may need to pay for remedial action.

The project team received submissions from suppliers who believed they had lost work when contracts had been improperly awarded. As a result, suppliers laid off staff, moved their business interstate, and some small businesses dependent on government contracts closed.

Suppliers who believe that tenders are not assessed fairly may be deterred from bidding. Perceptions that procurements may be corrupt may deprive public authorities of contracts that offer value for money and innovation that could boost South Australia's economy. If suppliers believe that other companies are engaging in corruption, they may behave corruptly themselves.<sup>4</sup>

Several suppliers gave accounts of the financial and other costs incurred by being involved in a public sector procurement believed to have been corrupted (*Case study 1*).



CASE STUDY 1:

**The impact of perceived corruption in public sector procurement**

One supplier described the devastating personal and professional impact of having lost contracts due to perceived corruption. The supplier had founded a business that had developed an innovative and unique product, and had succeeded in winning contracts with several public authorities.

The supplier believed that their intellectual property had been inappropriately leaked to a competing supplier by a corrupt public officer during a procurement, in exchange for a benefit. The supplier alleged that a competitor used this information to replicate the product and was awarded contracts that were not open to the market.

As a result, the supplier lost a significant proportion of his business. The supplier described the psychological impact of losing his intellectual property. For someone who had built his company around a unique product, this loss was profound. The supplier felt embarrassed that he was no longer fully contributing to a business that he had founded. He decided to retire early.



**14**

**BUYING TRUST**  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT





16

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Chapter two: Governance of public sector procurement

Public sector procurement is governed by the South Australian Government Procurement Framework ('the Framework'), which came into effect on 1 July 2021. The Framework provides a whole-of-government approach to procurement with common principles, standards and benchmarks. The Framework consists of *Treasurer's Instruction 18*, the *Procurement Governance Policy*, and supporting policies that set the minimum requirements for key procurement activities.<sup>5</sup>

Under the Framework, the Treasurer has responsibility for setting the rules and policy direction for public sector procurement. Procurement Services SA (PSSA) is the government's central procurement branch. PSSA is responsible for whole-of-government procurement policies, standards and guidance, and supporting the public sector's procurement capacity.

Chief Executive Officers of public authorities have responsibility for their own procurements. Public authorities are required to develop their own internal procurement framework, policies and procedures that are consistent with the Framework.

### Overall perceptions of corruption risks in South Australian public sector procurement

For some survey respondents, the Framework has reduced integrity risks to public sector procurement, particularly in the last twelve months.



"I haven't seen any of this in past 12 months. It seems much tidier" (supplier).

"Within the last 12 months appears to have been a far fairer process and I have no concerns or criticisms about it [procurement]" (supplier).

"Much more robust processes in place these days. In my early days in the public sector, it was much easier to influence a procurement process in my view" (procurement officer).

"We have specific systems in place and so many people have to sign off on procurement that it's not up for question" (procurement officer).



Some suppliers claimed that corruption was less prevalent in South Australia than other jurisdictions.



"No recent suspicions in SA" (supplier).

"I have personally observed these issues in jurisdictions outside SA" (supplier).

"SA is one of the most compliant states I have worked in" (supplier).

The New South Wales Independent Commission Against Corruption and the Victorian Independent Broad-Based Anti-Corruption Commission have conducted similar surveys with suppliers in their jurisdictions. South Australian suppliers were less likely to believe corruption in public sector procurement to be a problem compared to respondents in New South Wales and Victoria.<sup>6</sup>

Not all suppliers agreed that South Australian public sector procurement was more resilient to corruption compared to other jurisdictions, although these comments were relatively few.



"South Aust is the most corrupt place to do business" (supplier).

"South Australia does not give us a really fair go. Very sad reality" (supplier).

## Corruption risks associated with complex and compliance-based processes

The Framework was intended to reduce the complexity of procurement. PSSA explained that the steps required for a procurement valued above \$55,000 decreased under the Framework. Two thirds of procurement officers (67%) and over half of suppliers (58.5%) agreed that the process for their latest procurement was straightforward.

Some respondents believed that finding the correct balance between compliance and efficiency is difficult.



"Government tendering has matured and become more complex over time, and this has required professionals to help organisations understand rules. This is positive because it helps organisations to prevent corruption and impropriety, but it also makes it difficult for smaller organisations to enter the marketplace" (supplier).

"I also think that some people don't value the steps involved in a procurement process (that people complain about as being red tape) unless something goes wrong, and then they wish they followed the steps!" (procurement officer).



18

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

However, some procurement officers believed that public sector procurement continues to be too compliance heavy.



"Reliance on overly complex processes chases good people out of procurement and replaces them with 'box tickers'" (procurement officer).

"Part of the issue for procurement often not complying with guidelines or policies is they are constantly changing and often the process becomes far more complex with more red tape, for no evident gain apart from ticking a box or empire building" (procurement officer).

Compliance heavy processes can distract procurement officers from attending to integrity issues. Some senior Super SA staff interviewed as part of the Commission's evaluation of Super SA (2022) saw compliance as a burden rather than a necessary integrity measure. This attitude may result in procurement policies and processes being circumvented, and a culture of non-compliance.<sup>7</sup> This attitude was also expressed by some survey respondents.



"I believe that creating further bureaucracy in an effort to stamp out corruption will only lead to greater levels of corruption. There needs to be a degree of trust and accountability in policies to allow efficient procurement processes" (procurement officer).

## Splitting tenders

Some procurement officers (18.6%) and suppliers (26.3%) believed that public sector procurement was highly or extremely vulnerable to tenders being split to circumvent thresholds. The Framework only applies to procurements valued over \$55,000, and it may be that procurements are split to avoid governance under the Framework. It may also be possible that procurements are split to avoid thresholds set by the Industry Participation Policy.



"As the procurement process based on TI 18 is so complex, convoluted and difficult all sorts of people are working around the system, doing 2 contracts for the same thing, using different equipment at different sites to work around the process of using the same supplier or service. This is all because to prevent fraud you have made it so time consuming and pointless, that people work hard to not hit the 55k" (procurement officer).

"Procurement processes seen as all too hard. Too much work. Managers tell you to split contracts to avoid PARS reporting" (procurement officer).





While PSSA expressed concern about tender splitting, they observed that the number of procurements valued from \$55,000 to \$60,000 have decreased and higher value procurements have increased. PSSA contended that this may indicate that public authorities are planning ahead and consolidating rather than splitting procurements.

Even if tender splitting has decreased, it remains a risk.<sup>8</sup> Tender splitting by itself may not be corrupt conduct, however it may be used to hide corruption (*Case study 2*).

**CASE STUDY 2:**

**Public officers corruptly award public infrastructure contracts**

Investigators from the Victorian Independent Broad-Based Anti-Corruption Commission found that two public officers had corruptly awarded public infrastructure contracts valued at \$25 million to entities they controlled or were controlled by their associates. Money that should have gone into public works was siphoned off by those public officers leaving some projects incomplete or completed to an unsatisfactory standard. Honest contractors, many regionally based, were locked out of the tendering process or unable to fairly compete.

This corrupt conduct was facilitated by serious breaches of procurement policies and procedures. Those breaches included splitting tenders so that procurements awarded to companies controlled by the public officers would not be appropriately scrutinised. When questioned by other agency staff, the public officers' explanations for the split tenders were accepted without further enquiries.

The public officers' corrupt conduct spanned seven years. Warning signs that contracts were being manipulated were ignored. A workplace culture which placed timely outcomes above compliance with procurement processes, did not provide staff with proper training on risks associated with corruption, and where management did not support procurement policies also allowed corruption to be covered up.<sup>9</sup>

Public authorities conduct regular procurement audits based on the risk profile of their procurement activities. High risk procurements may include those where the number of suppliers able to tender is limited, extensions or variations are utilised, an incumbent supplier has been reengaged, and those conducted with urgency or in emergencies. Procurements under \$55,000 should be regularly audited for evidence of tender splitting.

**RECOMMENDATION 1**





## Black cladding

The Government's *Aboriginal Economic Participation Strategy* is intended to increase Aboriginal participation in the South Australian economy.<sup>10</sup> For large projects, industry participation weighting is increased for contracts that will involve Aboriginal participation. This includes giving additional weighting to a South Australian business with an Aboriginal owner or a joint venture arrangement between Aboriginal and non-Aboriginal partners.

Aboriginal procurement policies have succeeded in including more Aboriginal suppliers in procurement bids. However, an unintended consequence of Aboriginal procurement is 'black cladding'.<sup>11</sup>

'Black cladding' is defined to be:

*...the practice of non-Indigenous business entity or individual taking unfair advantage of an Indigenous business entity or individual for the purpose of gaining access to otherwise inaccessible Indigenous procurement policies or contracts. Unfair advantage involves practices and arrangements that result in the disadvantage or detriment to an Indigenous business, or that do not represent a genuine demonstrated level of equitable partnership and benefit.*<sup>12</sup>

The project team received submissions that alleged that some suppliers misrepresent their Aboriginal identity to obtain an advantage in a procurement. This problem has been reported in other jurisdictions.<sup>13</sup> Public authorities can verify the identity of suppliers claiming Aboriginality, for instance ensuring that an Aboriginal supplier is registered as such with the Office of the Industry Advocate or referring joint ventures with non-Aboriginal capacity partners to Supply Nation for verification.

Public authorities prevent non-Aboriginal suppliers taking unfair advantage of schemes intended to assist Aboriginal suppliers to win public sector contracts by verifying the status of suppliers claiming Aboriginal identity.

### RECOMMENDATION 2

It was also alleged that once a joint venture bid is successful, work is not allocated to the Aboriginal business. For South Australian construction projects valued over \$50 million, 20% of labour force hours need to be performed by nominated groups which include Aboriginal job seekers.<sup>14</sup> While the project team did not receive submissions alleging misreported labour hours, this has been reported in other jurisdictions.<sup>15</sup>

Where relevant, public authorities conduct random audits of contracts that are required to have a mandated proportion of labour force hours to be performed by nominated groups.<sup>16</sup> Non-compliance needs to be reported to the Office of the Industry Advocate.

### RECOMMENDATION 3





## Chapter three: Conflicts of interests

An undeclared conflict of interests often lies at the heart of corrupt procurement.<sup>17</sup> PSSA's *Probity and Ethical Procurement Guideline* states that government employees, including Chief Executives, should identify, document and effectively manage conflicts of interests for every procurement. Conflicts of interests declarations should be completed by panel members prior to completing an evaluation.<sup>18</sup>

Almost all procurement officers surveyed claimed that their workplace has policies and procedures relating to conflicts of interests (97.0%), and they are required to declare conflicts when involved in procurement (96.0%). However, approximately one in three (30.1%) procurement officers responded that their workplace does not provide training, or they were unsure if their workplace provides training, in relation to conflicts of interests.

All public officers involved in procurement, including those with delegation authority, complete training on probity in procurement. This should include training on corruption risks in procurement, conflicts of interests, gifts, benefits and hospitality, the handling of confidential information, and public officers' reporting obligations.

### RECOMMENDATION 4



## Undeclared and unmanaged conflicts of interests

Respondents most commonly described a conflict of interests as entailing a public sector employee involved in a procurement failing to declare a relationship with a supplier. This typically involved the supplier being a family member, friend or former colleague of a public sector employee with procurement responsibilities.

Corrupt procurement sometimes involves a public sector employee awarding a contract to a private company in which they have undisclosed interests, such as being an owner or shareholder. The Commission and other integrity agencies have investigated allegations of this nature.<sup>19</sup>

Procurement officers explained that senior managers in decision making roles are the most likely to unduly influence procurement processes due to a conflict of interests.



"Managers force your hands – tell you this is what they want done. You tell anyone and your job is on the line ... Absolutely wasteful contract to their friends" (procurement officer).

"My experience shows that procurement outcomes are more likely to be influenced at higher level (i.e. senior management) than the public officer managing the procurement e.g. normally by the person who signs off or approves the procurement who may happen to know or have a business or social relationship with one of the bidders" (procurement officer).

Public sector employees do not always appreciate the corruption risks posed by an undeclared and unmanaged conflict of interests in procurement (*Case study 3*). The Auditor-General has reported that a conflict of interests declaration is not always completed at the commencement of a procurement evaluation.<sup>20</sup>

### CASE STUDY 3:

#### **Procurement improperly influenced by a manager with an undeclared and unmanaged conflict of interests**

An investigation conducted by the Commission established that a senior manager in a public authority had engaged her husband to undertake works required by the authority. The senior manager had been sent a copy of the authority's Conflicts of Interests guidelines and declaration form, although she had not completed the form. It was only after the work was completed that the senior manager declared her conflict, and admitted she had not obtained quotes. She explained she had not realised at the time that there was a conflict; she thought that no one would object to her husband doing the work, and she needed the work done quickly.



24

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

Some procurement officers explained that conflicts of interests are well managed in their workplace. However, others stated that conflicts are declared but not managed. A conflict of interests should be effectively managed by someone in a more senior role. *Case study 4* highlights the risks to procurement if a conflict of interests is declared, but not managed.

**CASE STUDY 4:**

**A conflict of interests is declared but not adequately managed**

The Commission referred allegations to the Ombudsman that a public sector procurement had been improperly influenced by a public sector employee with a conflict of interests. The Ombudsman found that the employee had declared that a company interested in tendering was owned by a family member. The employee was excluded from the evaluation process, and evaluation panel members were informed of the conflict.

However, the employee remained involved in administrative tasks related to the procurement as directed by her supervisors. She had access to the tender documents and communicated with tenderers. The Ombudsman concluded that the conflict was insufficiently managed, and the employee should not have had any involvement with the tender process.

The New South Wales Independent Commission Against Corruption has argued that schemes giving preference to local suppliers may lead to unnecessary lobbying and undeclared conflicts of interests.<sup>21</sup> The South Australian Industry Participation Policy (SAIPP) is intended to assist South Australian suppliers. The scheme is overseen by the Industry Advocate, who assists to protect the public sector procurement from the integrity risks identified in New South Wales.

Public authorities ensure that if a participant in a procurement discloses a conflict of interests, a management plan is devised, documented, actioned and monitored.

**RECOMMENDATION 5**



## Post separation conflicts of interests

Public sector procurement may be compromised by a post separation conflict of interests. A procurement officer who has accepted employment with a supplier may use the period in which they are still engaged in the public sector to benefit their new employer. Once the employee takes up the new position, they may reveal confidential information and manipulate relationships with previous colleagues to influence a procurement decision.

Even in circumstances where a former procurement officer has not advantaged their new employer, there may still be the perception that a procurement decision was improperly influenced. Others may perceive that the contract was awarded to a specific supplier in return for a personal benefit in the form of employment to the person making that decision.

The *Public Sector Code of Ethics for the South Australian Public Sector* states that:

*Public sector employees who leave the public sector to work with a non-Government employer will avoid situations that would result in an unfair advantage for their new employer. This holds particularly in the case where the employer is bidding for a government contract or is competing for a grant or similar disbursement of public moneys.<sup>22</sup>*

However, public authorities may benefit from further guidance on how to address post separation conflicts. Steps should be taken to ensure that a public sector employee who has accepted employment with a supplier who has bid for a contract with their former agency is not able to access confidential procurement information. Public authorities may consider auditing records accessed by departing staff to ensure that procurements have not been compromised.

The *Australian Public Sector Commission's Values and Code of Conduct in Practice* suggests that public sector employees disclose conflicts of interests resulting from an employee's intention to leave the public service. Agencies may reallocate an employee's duties, move the employee to a different work area, or require the employee to take temporary leave.<sup>23</sup>

The guidance suggests including a restraint clause in a request for tender. This clause would prevent a supplier soliciting or engaging particular public sector employees during the procurement process.<sup>24</sup>

Restraint clauses cannot be used unreasonably. There needs to be a legitimate interest in imposing a restraint clause, such as preventing a departing employee from unfairly influencing a procurement in their new employer's favour. A restraint clause might reasonably be applied to a procurement officer who is in direct contact with suppliers or has a decision making role in a procurement. Restraint clauses need to be of a short duration.

Public authorities consider control measures to address post separation conflicts of interests for public sector employees in high risk roles, including exiting procedures, information access restrictions and monitoring, or the use of restraint clauses where reasonable.

### RECOMMENDATION 6

**26**

**BUYING TRUST**  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT









## Chapter four: Gifts, benefits and hospitality

A gift is anything of value offered to an employee above their normal salary or employment entitlements. A benefit is preferential treatment, privileged access, favour or other advantage. Benefits are usually intangible such as personal service and job offers. Hospitality includes offers of meals, invitations to events, sponsored travel and accommodation.<sup>25</sup>

Accepting gifts, benefits or hospitality may damage the reputation of individual procurement officers and public authorities, deter suppliers from bidding for tenders, and erode public confidence in the delivery of public services.<sup>26</sup> Even if not accepted, the offer of a gift, benefit or hospitality by a supplier to a public sector employee involved in procurement may be perceived as an attempt to unduly influence the procurement process.

Public sector employees soliciting gifts, benefits or hospitality can pose a serious corruption risk. A review of New South Wales Independent Commission Against Corruption investigations found that alleged corruption in procurement was usually initiated by a public sector employee demanding cash payments or gifts in return for manipulating the procurement process to favour a specific supplier.<sup>27</sup>

### Policies relating to gifts, benefits and hospitality

PSSA's *Gifts and Benefits Guideline* states that:

*Due to the high-risk nature of procurement and contract management, it is strongly recommended that a gift, entertainment, or benefit; even when it has low or no value is declined.*<sup>28</sup>

The Office of the Commissioner for Public Sector Employment's (OCPSE) *Gifts and Benefits Guideline* recommends that public officers use their judgement about whether accepting a gift, benefit or hospitality gives the impression that decision making will be unduly influenced.<sup>29</sup> However, the Guideline does not recommend that public officers in high risk roles, such as being involved in procurement, should refuse gifts, benefits and hospitality.

The Commissioner for Public Sector Employment ensure that the *Gifts and Benefits Guideline* is consistent with that provided by Procurement Services SA, which recommends that public officers in high risk roles do not accept gifts, benefits or hospitality

#### RECOMMENDATION 7



Some public authorities have internal policies which state that gifts, benefits and hospitality cannot be accepted during the procurement process (e.g. SA Health).<sup>30</sup> However, not all internal policies contain this advice. One third (36%) of procurement officers responded that their workplace had not provided training relating to gifts, benefits and hospitality.

Public authorities ensure that internal policies include advice regarding the handling and recording of gifts, benefits and hospitality offered by suppliers in high risk functions including procurement.

**RECOMMENDATION 8**

*Premier and Cabinet Circular PC035 – Proactive disclosure of regularly requested information* requires departments to publicly disclose their agency's gift registers every month online. The registers assist in making transparent gifts, benefits and hospitality offered to and accepted by public sector employees. Such disclosure does not always occur.

Public authorities ensure they are complying with *Premier and Cabinet Circular PC035 – Proactive disclosure of regularly requested information*, including publication of information on agencies' websites.

**RECOMMENDATION 9**

Most suppliers (61.2%), especially larger suppliers, stated that they have an internal gifts, benefits and hospitality policy. Small suppliers may lack the resources to put together comprehensive internal policies relating to probity in procurement. The project team understands that PSSA is considering developing and implementing a Code of Conduct for all suppliers. Some other jurisdictions have such codes in place.<sup>31</sup>

Procurement Services SA continue its development and implementation of a Code of Conduct for suppliers.

**RECOMMENDATION 10**

PSSA's guideline on gifts and benefits appears to have made some impact. Several respondents stated that they had witnessed public sector employees with procurement roles accepting gifts in the past. However, more recently gifts were being refused. The majority (86.9%) of procurement officers who responded to the survey agreed that they are not allowed to accept gifts, benefits or hospitality when involved in a procurement. Fewer suppliers stated that they offer gifts to public sector employees involved in procurement compared to Victoria and New South Wales.<sup>32</sup>



30

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Gifts, benefits and hospitality may create a conflict of interests

The acceptance of a gift, benefit or hospitality by a public sector employee may create a conflict of interests and the expectation that the public sector employee will reciprocate.<sup>33</sup> Offering a gift may be the first step in a grooming process, which can lead to improper conduct (*Case study 5*).

### CASE STUDY 5:

#### Suppliers use incentives to improperly influence procurement<sup>34</sup>

In May 2010, the South Australian Crown Solicitor's Office received information from the Western Australian Crime and Corruption Commission regarding improper purchasing of toner cartridges by Western Australian state government agencies. The South Australian state government established a Procurement Working Group to examine allegations that suppliers had been persuading public sector employees to purchase printer cartridges at inflated prices in return for gifts. Public servants were found to have spent \$1.25 million on overpriced office supplies in return for gifts and benefits. These included gift cards, iPads and iPods, notebook computers, digital cameras, a television, MP4 player and game console. Some public officers were cautioned while others had their employment terminated, and one public officer pleaded guilty to charges of failing to act honestly while a public sector employee.

Procurement officers may not be sufficiently aware of these risks. One in three procurement officers (34.7%) was unaware that suppliers may offer gifts, benefits and hospitality in order to influence a procurement decision.

Respondents were asked what types of gifts, benefits or hospitality may be offered by a supplier to a public sector employee involved in procurement. Many offers were low value, such as a cup of coffee or box of chocolates. However, even trivial or token gifts can have an unconscious influence on a procurement decision.<sup>35</sup>

Procurement officers and suppliers described items of greater value such as meals, accommodation and travel. Tickets to events were the most frequently mentioned benefit, including corporate tickets to events accompanied by hospitality. A few procurement officers described suppliers offering cash payment, employment, to perform work at an employee's house for free, and paid holidays including travel and accommodation for an employee and their family.



## Culture of entitlement

A lack of adherence to policies and procedures relating to gifts, benefits and hospitality may encourage a culture of entitlement to develop in an agency. The Tasmanian Integrity Commission has observed gifts and benefits being accepted but not declared during procurements.<sup>36</sup> The Tasmanian public sector was described as being at risk of developing a culture where public sector employees believed that gifts were a 'reward' for their 'hard work', and the risks associated with gifts and benefits were overlooked.

A few procurement officers believed that they should be entitled to gifts, benefits or hospitality.



"Be nice to be offered something considering all the goodwill we give"  
(procurement officer).

"Politicians and management line up future \$300,000 per annum jobs by creating huge projects for their industry friends but hammer a lowly public servant for once getting a \$300 iPad with printer cartridges they needed anyway" (procurement officer).

A culture of entitlement may develop when procurement officers attempt to justify improper behaviour. Procurement officers described circumstances when they considered that accepting a gift, benefit or hospitality was acceptable. These included accepting a gift as if it was:

- ▶ entered into the gifts register
- ▶ declared and shared with the team
- ▶ accepted in front of someone else
- ▶ valued at less than \$50
- ▶ approved by a senior executive
- ▶ not intended to "obviously influence" the employee accepting the gift
- ▶ not perceived to create a conflict of interests.

A sense of entitlement may lead to public sector employees soliciting gifts, benefits or hospitality. One supplier described having been asked for employment during the procurement process by a probity advisor. Another described hearing rumours of public sector employees soliciting consultancy work during a procurement.

A culture of entitlement may develop if senior leaders are poor role models. Some procurement officers observed that senior leaders in their workplace accepted gifts, benefits and hospitality.



"CEOs and executive were regular [sic] provided with concert tickets. They were disclosed but because it was a senior member of staff it was somehow deemed OK. It wouldn't be OK if it were a junior member, but surely the more senior staff member (and decision maker) accepting the tickets carries more risk" (procurement officer).



32

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

The consequences of allowing a sense of entitlement to take root and then grow into a culture of bribery and solicitation are highlighted in *Case study 6*.

CASE STUDY 6:

**Culture of accepting bribes becomes entrenched in a Western Australian department<sup>37</sup>**

An investigation by the Corruption and Crime Commission, Western Australia, found that senior public officers had received lavish gifts and benefits in return for awarding contracts to favoured suppliers. Over a period of six to ten years, suppliers spent \$125,000 on lunches for public sector employees. Two executives received more than \$150,00 of personal travel, including interstate and overseas travel with business class flights, and renovations to their personal residence. Suppliers recouped the considerable sums spent to secure contracts by inflating invoices.

Other staff in the department were aware that bribes were being sought and paid, but the behaviour was not openly questioned and warning signs were overlooked. As a result, a culture of bribery and fraud flourished. Some staff did not speak out as they were worried about their jobs. Others were groomed by suppliers.

One such target was courted with expensive lunches at the same time as he was making decisions to award work and approve invoices. This public officer received \$5,000 of restaurant meals from one supplier over a one year period.







34

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Chapter five: Misuse of information

The improper disclosure of confidential procurement information may confer an advantage to a favoured supplier. For instance, a public sector employee may improperly disclose a supplier's pricing to a competing supplier who then adjusts their bid. Misuse of information may also entail the unequal provision of information to potential tenderers. This may involve providing information to a favoured supplier, and withholding information from others.

### Policies for protecting confidential tender information

PSSA's *Sourcing Policy* states that public authorities should manage the security and confidentiality of documents, and prevent unauthorised access to and dissemination of commercial-in-confidence information. All participants in a procurement evaluation are required to complete a confidentiality agreement prior to commencing an evaluation. All interested tenderers are to be provided with the same information during the procurement process, including responses to requests for information.<sup>38</sup>

The *Code of Ethics for the South Australian Public Sector* requires that public sector employees do not access, or attempt to access, official information except in connection with the performance of their duties, and that they will not disclose official information without authority.<sup>39</sup>

Several respondents suggested that the misuse of confidential procurement information had decreased in the past twelve months. A few suppliers commented that the SA Tenders and Contracts website helps ensure that all interested suppliers receive the same information about tenders. Several procurement officers commented that there are sufficient policies and procedures in place to ensure that confidential procurement information is handled appropriately.



"While not perfect, the system to manage these issues is much more robust these days" (procurement officer).

"There is a process to follow and probity advice is sought on all complex and strategic procurements. The risk of this happening while following process is minimal" (procurement officer).



Despite these positive comments, there is room for improvement. Approximately one in four procurement officers (27.2%) stated that they were not required to enter a confidentiality agreement during a procurement process. More than one third of procurement officers (38%) stated that they had not received training relating to handling confidential tender information. The need for training was raised by some procurement officers.



"I have never had any formal training in managing confidential information. I am very aware of confidentiality due to my years of experience as a public sector employee but have never had any formal training or discussions with management in my time at my current department. It seems to appear as if we should know right from wrong, rather than being trained formally" (procurement officer).

## Leaking of confidential procurement information

One in four suppliers (26.5%) and one in ten procurement officers (9.9%) believed that confidential procurement information was highly or extremely vulnerable to being improperly handled. A similar proportion of suppliers (23.5%) stated that they have suspected that confidential procurement information has been disclosed to competitors prior to the closing of a tender. These findings are similar to those in other jurisdictions.<sup>40</sup>

Lack of experience or training was the most common explanation for confidential information being improperly given to a supplier during a procurement. However, several respondents described incidents where they believed confidential information had been deliberately leaked.

One supplier alleged that a procurement officer had intentionally disclosed confidential tender information to a competitor during the procurement process in exchange for being given employment with the successful contractor. A procurement officer described a public sector employee deliberately providing a friend with confidential tender information to assist the friend to win a contract. The Commission has received allegations that a public sector employee involved in a procurement improperly disclosed confidential information (*Case study 7*).





CASE STUDY 7:

**Confidential tender information is disclosed due to an undeclared and unmanaged conflict of interests**

The Commission received allegations that a procurement had been improperly influenced by a public sector employee who had an undeclared conflict of interests with the successful tenderer. The agency had conducted an independent review, which found that the preferred tender did not align with the scope provided in the call for Expressions of Interest. The person who had responsibility for the procurement had failed to declare that she had a long term friendship with the preferred supplier. She had disclosed information about the bid to that supplier, and engaged in direct negotiations prior to the opening of the Expression of Interest process. Following the review, the procurement process was halted and needed to be redone.

Public authorities conduct regular audits of staff permissions, access and use of confidential procurement information to identify patterns of unusual activity or instances of misuse.

**RECOMMENDATION 11**



## Unequal provision of information

One in three suppliers (33.6%) and one in four procurement officers (26.5%) considered that public agencies were highly or extremely vulnerable to giving unequal information to suppliers during a tender. These results are comparable with perceptions in other jurisdictions.<sup>41</sup>

Most comments from procurement officers suggested that the unequal provision of confidential tender information occurs inadvertently. For instance, a procurement officer may be unaware that if one supplier asks a question then all suppliers need to be informed of that question and answer.

Several procurement officers suggested that some suppliers deliberately attempt to obtain information that is not made available to their competitors.



"Where working relationships with suppliers has already been formed through existing contracts, it's possible that suppliers try to seek information from those people, rather than the procurement contact. Most staff members have been reminded or advised that all requests need to go to the contact person, however I've experienced tenderers asking questions to other staff members" (procurement officer).

"Some bidders believe it is acceptable to approach Ministerial level people to discuss open procurements. Ministerial staffers need to be educated as the probity risks this involves and be taught how to manage accordingly" (procurement officer).

A few suppliers described instances where they had suspected the intentional unequal provision of information. Those largely consisted of allegations that specific suppliers were preferentially provided with information about tender requirements, and that procurement officers met with favoured, rather than all, suppliers.



"There appears to be a serious inequality in the level of communication with suppliers... It was observed that one organisation had 3 meetings and opportunities to change tender information each time prior to it closing. We did not receive a single meeting, nor feedback that was provided to that particular organisation and should have been accessible for other applicants" (supplier).

"Only a few select providers were called in to shortlisting meetings ... Was provided information the other tenders have not been and have been given an unfair advantage to negotiate their rates" (supplier).



## Intellectual property in procurement

Several suppliers described having used their intellectual property as part of their bid, only to have lost the tender and have their intellectual property provided to the successful tenderer. Those suppliers expressed surprise and disappointment that this happened. For several suppliers, the fact that the successful tenderer was contracted to provide a product that the unsuccessful supplier had initially developed, fueled their suspicion that the contract was not won fairly.



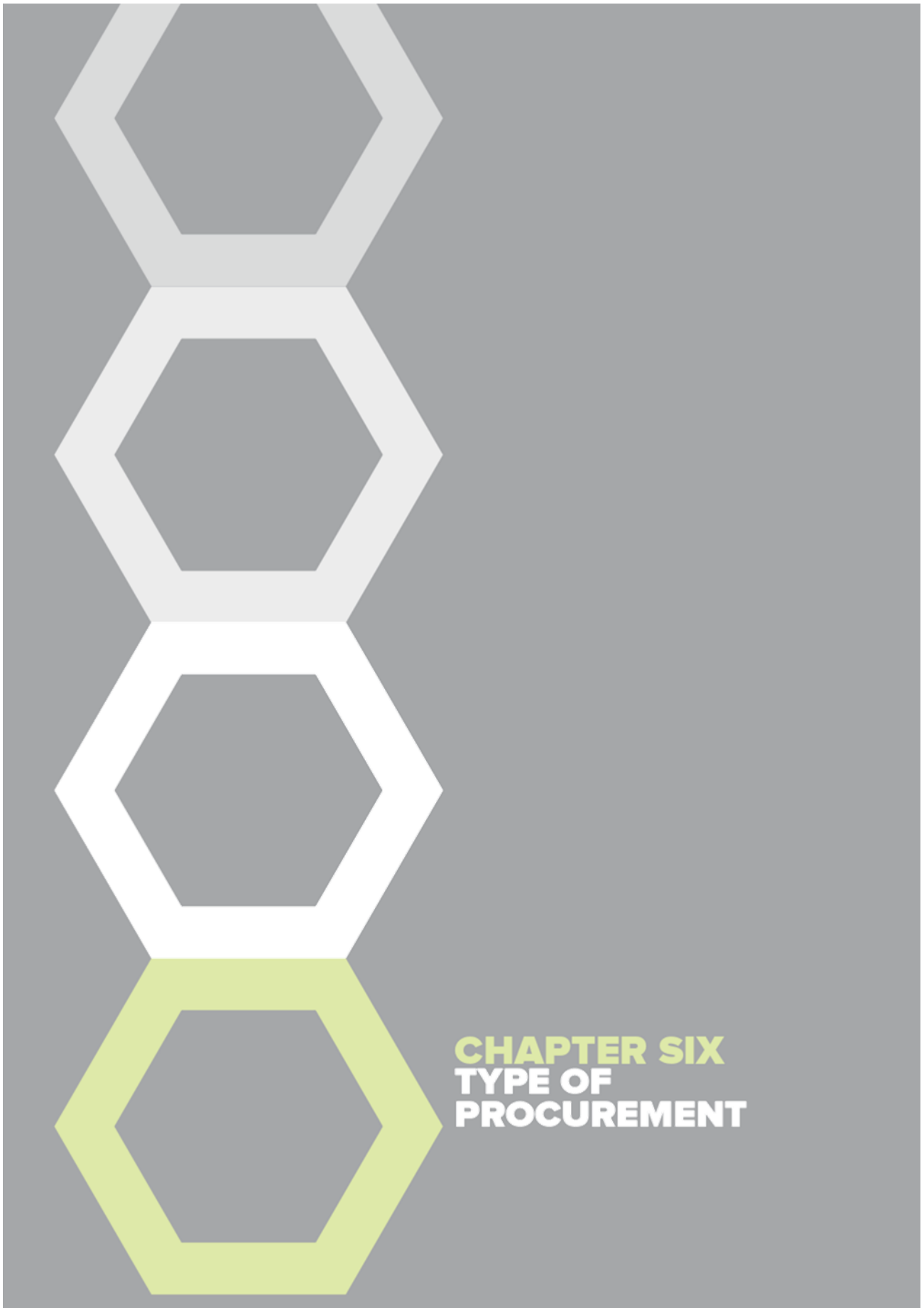
"Often the tender is based on the (stated confidential) IP of the provider offering it in good faith, and the contract (with our IP) goes to a competitor. We have stopped discussing our methodology with some agencies because we know our IP will be stolen" (supplier).

PSSA's *Intellectual Property Guideline* covers rights to intellectual property that may arise during the evaluation of a tender and once a contract has been entered.<sup>42</sup> However, the guideline does not explicitly discuss the ownership of intellectual property prior to the execution of the contract, or explain how a supplier's intellectual property will be handled or protected.

Procurement Services SA consider the need for guidance on the proper management and protection of intellectual property during procurement processes.

### RECOMMENDATION 12





40

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Chapter six: Type of procurement

Corruption risks vary depending on procurement type. Types of public sector procurements range from open market approaches where any interested supplier can tender, limited market approaches where certain suppliers are invited to tender, direct market approaches where a public authority approaches a single supplier, to unsolicited approaches where suppliers put new proposals to public authorities.

### Open market approaches

Open market approaches were seen to be the least vulnerable to corruption. This is unsurprising as an open market approach is the most transparent type of procurement. However, this does not mean that open market procurements cannot be corrupted.

Some suppliers believed that open market tenders may be manipulated by writing specifications to unduly favour a particular supplier.



"Occasionally it appears that preferred suppliers have been approached in advance of a tender and the tender specification is steered towards that suppliers specific offering" (supplier).

"Some tender specifications are written in such a way as to favor particular products or services. This tendering practice results in the exclusion of other products and services" (supplier).

Case study 8 demonstrates how specifications can be improperly manipulated.

#### CASE STUDY 8:

#### **A public officer inappropriately manipulates procurement specifications<sup>43</sup>**

The New South Wales Independent Commission Against Corruption established that a public officer had dishonestly awarded contracts to favoured suppliers in return for financial benefits. He did so by improperly assisting favoured suppliers to be appointed to suppliers' panels, manipulated the tender specifications so that they advantaged the favoured suppliers, and assisted them to write their submissions. This included misrepresenting the experience and technical skills of one of the suppliers and adding reports plagiarised from other suppliers. The public officer dishonestly declared that he did not have a conflict of interests with those suppliers.



The *South Australian Industry Participation Policy Procedural Guidelines* states that public authorities should ensure specifications are clear and comprehensive but not discriminatory by using Australian standards or standards regularly applied in Australia. References to a specific brand or product should only be used in exceptional circumstances, and should allow for an equivalent product.<sup>44</sup> However, several respondents suggested that some agencies were insisting on specific brands without an equivalent in order to favour a particular supplier.

## Direct market approaches

A direct market approach involves a public authority negotiating a contract with a single supplier. The PSSA's *Procurement Planning Policy* states that a direct market approach should not be used for convenience or to avoid competition. A direct market approach must ensure that the procurement outcome provides value for money and is compliant with procurement policies and procedures.<sup>45</sup>

A direct market approach was seen by respondents to be the procurement type most vulnerable to exploitation. Procurements involving a public authority repeatedly using the same supplier were especially perceived as suspicious.



"There is a perception that the [agency] never go out to the open market for tenders and favour a select few (usually the same 3). Some of the employees have worked at these companies or have spouses that work there. It is very difficult for a company to get an opportunity to tender. I don't think that value for money is obtained by not testing the market" (supplier).

The market approach used in procurements valued above \$55,000 is recorded in the Procurement Activity Reporting System (PARS). Analysis of the PARS data shows that some agencies use direct market approaches for the majority of their procurements. These agencies may have legitimate reasons for not using open market procurements. However, agencies should be aware of potential corruption risks if open market approaches are not used. The reasons for utilising a direct market approach should be documented. Documentation will assist a public authority to defend the integrity of a direct market approach should it be questioned.



## 42

### Panel and multi-use list procurements

A panel contract is a form of standing offer with multiple suppliers for anticipated goods or services. A panel contract may be established by an agency for its own use, by a lead public authority for use by other public authorities (e.g. government schools), or by a lead agency to address an across government need (e.g. an ICT panel).<sup>46</sup>

A multi-use list contains suppliers who have met established criteria and will be required to meet additional criteria during the formal procurement process. Prequalification provides an early indication of suppliers' capability and capacity. Prequalification is a first step in performing due diligence, but it should not be the only means of verifying a supplier's capacity.

Panels and multi-use lists have been used as a protection against procurements being unduly influenced.<sup>47</sup> For instance, an across government panel for stationary contracts was introduced following the misuse of incentives by suppliers to encourage public sector employees to order unnecessary toner cartridges at inflated prices.<sup>48</sup>

However, some suppliers believed that the decision to include a supplier on a panel could be improperly influenced. Other integrity agencies have reported on corrupt public sector employees improperly assisting a supplier to gain a position on a panel, and subsequently favouring that supplier to win contracts, in return for kickbacks.<sup>49</sup>

Some suppliers expressed disappointment that they had not received work from a panel contract. This may be due to misunderstanding that being on a panel does not guarantee a supplier will receive work. However, it is possible that a procurement officer improperly favours one supplier on a panel. Public authorities should consider auditing contracts awarded to panel providers to protect against improper favouritism.

The use of panel or multi-use lists can be mandated, with exemptions permitted only in limited circumstances.<sup>50</sup> The use of a supplier who is not on the mandatory list may be an indicator of improper conduct (*Case study 9*).

#### CASE STUDY 9:

##### **A public sector employee improperly procures an unregistered supplier**

The Commission received allegations that a public sector employee had deliberately not used a pre-qualified supplier in circumstances where their use was mandated. The allegations were referred to the relevant public authority.<sup>51</sup> The public authority subsequently found that the employee was aware that the supplier was not registered as an approved supplier, but contracted them anyway. The employee had also split the procurement into three parts so that it would fall under the threshold for governance under the state government's procurement policy.





Some suppliers believed that panels are misused to award contracts to a favoured supplier.



"The 'Panel' contract waits until a contractor that [the public authority] 'like' finishes their works before issuing out further packages" (supplier).

"There are some departments and agencies who have had the same supplier for years, and do not go out to the market to seek quotes from other suppliers on the panel" (supplier).

"Panel contracts are often easily manipulated and a way to keep the same vendor(s) engaged. It's easy to establish an agency panel and limit the field of view and innovation that may be achieved through casting the net wider" (supplier).

Entities that control panels and multi-use supplier lists vet new suppliers, regularly review existing suppliers on a panel or list, and remove suppliers if they no longer fit relevant criteria or conditions.

**RECOMMENDATION 13**





## 44

### Unsolicited proposals

An unsolicited proposal is an offer to provide unique or innovative goods or services made to a public authority by a supplier on their own initiative, rather than being formally requested. PSSA explained that unsolicited proposals from incumbent suppliers are common. However, such an offer is not always understood by the parties as an unsolicited proposal. This creates the risk that unsolicited proposals are not identified as such and do not follow due process.

Unsolicited proposals valued at more than \$3 million for infrastructure projects or \$1 million for non-infrastructure projects are assessed under guidelines set out in the *Premier and Cabinet Circular PC038 – Unsolicited Proposals*.<sup>52</sup> Such proposals should be submitted to the Department of Treasury and Finance and assessed by the Unsolicited Proposals Committee, rather than being assessed as procurements under the Framework.

Under the PSSA's *Unsolicited Proposals Schedule*, suppliers need to provide an initial proposal which, if accepted, is followed by a detailed proposal.<sup>53</sup> Proposals will only be accepted if they are compliant with PSSA's *Procurement Planning Policy*.<sup>54</sup>

The importance of following due process is highlighted in *Case study 10*.

#### CASE STUDY 10:

##### **Unsolicited proposal does not follow due process**

The Commission's report, *Yes Minister*, discusses an investigation of allegations that a minister had improperly used his position to arrange a contract for a personal associate. The minister received an unsolicited proposal from a business owner which did not offer value for money for the public sector. The minister referred the bid to the relevant agency, where the Chief Executive and other senior executives rejected the proposal. While there was no evidence that the referral came with an expectation that the proposal would be accepted, the Chief Executive had been placed in a "difficult position."<sup>55</sup>

The referral of an unsolicited proposal through personal connections with a minister raises the risk of preferential treatment, or at least the perception of preferential treatment. The proposal should have been assessed in accordance with the PSSA's *Unsolicited Proposals Schedule*, which requires the proposer to have put an initial proposal to the agency, rather than approaching a minister.



## Incumbent suppliers

An incumbent is a supplier with a preexisting contract with a public authority. An incumbent may have a legitimate advantage over a new bidder. Their experience may mean they can deliver goods and services at a lower cost than a new supplier, have staff in place, own necessary equipment and assets, understand the public authority's needs, have a reasonable working relationship with the public authority, or offer a unique product.<sup>56</sup>

However, an incumbent may have an unfair advantage over competitors if a procurement decision is based on expedience rather than value for money. A quarter of procurement officers (24.5%) and approximately a third of suppliers (36%) believed that there is a high or extreme risk that existing suppliers are unfairly advantaged in procurements.



"Current knowledge of the organisation a benefit to the re-engagement. Less time spent learning about the organisation. No onboarding required, systems and policies understood" (procurement officer).

"Hard to find better value for money given a new contractor would need to be inducted and security checked to begin work and existing contractor could continue on as is" (procurement officer).

Some procurement officers stated that an incumbent was reengaged due to a lack of planning or capacity.



"I was advised that the timeframe to 'go to market' was too tight & that we needed to use the same contractor" (procurement officer).

New suppliers may be deterred from bidding if an incumbent has repeatedly won tenders with the public authority.<sup>57</sup> Some suppliers stated they had not bid for a tender as they believed the incumbent supplier would be favoured.



"Have not bid as it is an expensive process and believe the way the tender was written they were just going through the process and directly awarding back to the current supplier" (supplier).

"We do not bid on projects where a single supplier has repeatedly secured ongoing work at the same site location for any particular government agency. There are frequently assessment questions on 'understanding of the project', 'understanding of the site', 'relevant previous experience' all of which can unduly benefit repeat appointment of the same supplier" (supplier).



46

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

Public authorities should be aware of integrity risks that may arise when an incumbent is reengaged. An incumbent may be unfairly advantaged by being asked to provide information to be used in the procurement process. They may have access to confidential tender information that is unavailable to other suppliers or have access to systems where confidential tender information is stored. An incumbent may be unfairly advantaged if the specifications substantially describe the incumbent's experience, capability or business operating model.<sup>58</sup>

An incumbent and a public sector employee may have developed such a strong working relationship that it becomes a conflict of interests. Public sector employees involved in procurements need to be aware of suppliers attempting to exploit an existing relationship (*Case study 11*).

**CASE STUDY 11:**

**Public officers may be perceived to favour an incumbent supplier**

The Commissioner referred allegations to the Ombudsman that an incumbent supplier had been given an unfair advantage over other bidders for a new tranche of an existing product. The allegations involved public sector employees involved in the procurement partaking in an overseas study tour arranged by the incumbent. It was alleged that the incumbent was unfairly advantaged as they used the trip as an opportunity to demonstrate a similar product developed for an overseas agency. The incumbent did not win the contract, although the outcome did not eliminate the possibility that the procurement had been improperly manipulated.

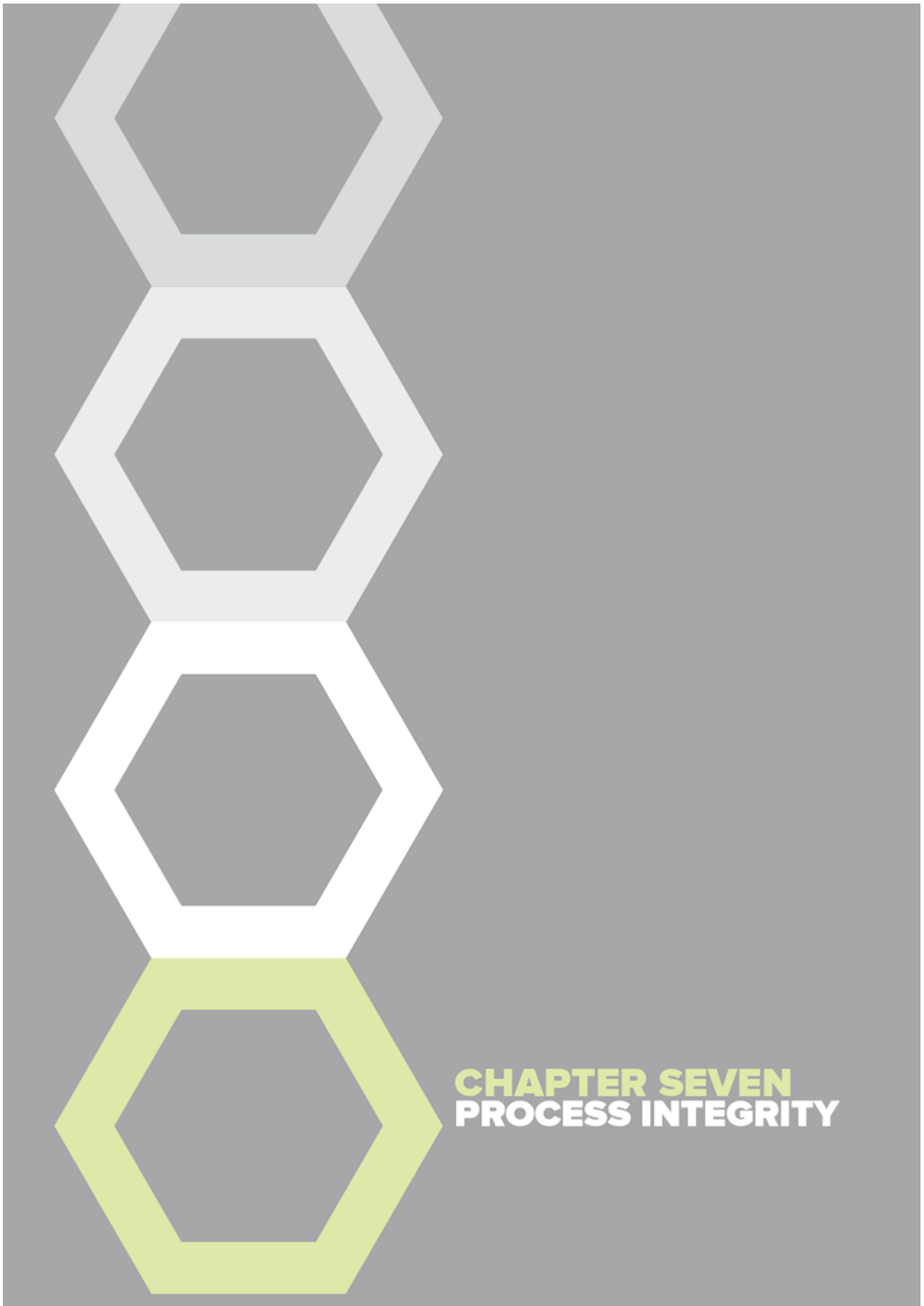
The Ombudsman found that the incumbent was aware that the trip could potentially influence the procurement in their favour. They had provided the employees with an initial itinerary, and had hoped to share travel arrangements. While overseas, the employees attended some meetings with the incumbent. They also attended an office lunch at the incumbent's overseas office while rejecting offers of lunch or dinner with another supplier who was intending to bid.

The employees claimed that they had taken steps to prevent the incumbent from influencing the procurement. They arranged the final itinerary, travel and accommodation separately, and met with other stakeholders during the trip.

The Ombudsman found that the public officers had not committed misconduct. However, the employees could have been more circumspect in their dealings with the incumbent to prevent perceptions of favouritism. The trip was not urgent, and the Ombudsman queried why it was not postponed until the tender process was complete.

Parties involved in a reengagement should declare and manage conflicts of interests. An incumbent who intends to bid for a new procurement should not be involved in developing procurement material, such as specifications. Information made available to the incumbent should be made available to all suppliers. If possible, contract managers should be regularly rotated and the contract manager should not be on the evaluation panel. If the contract manager is on the evaluation panel, their contribution should be given after other members.<sup>59</sup>





48

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Chapter seven: Process integrity

The Framework establishes policies and processes which, if followed, should assist in mitigating corruption in procurement. However, if the process for conducting a procurement is not robust, procurement becomes vulnerable to being manipulated by someone with improper intentions.

### Planning a procurement

The Framework requires public authorities to plan procurements before they are released to the market to ensure that procurements achieve best value for money.<sup>60</sup> Only a small proportion of procurement officers (5.2%) and suppliers (8%) considered procurement to be vulnerable to corruption risks during the planning stage. However, procurement can be corrupted if planning is inadequate. These risks may be underestimated.

Poor planning may result in frequent changes to a procurement's scope. This may create an opportunity for a dishonest supplier to charge for work that is not needed.<sup>61</sup> Poorly written tender documents may be exploited by an unscrupulous supplier.



"Poorly written tender that requested items well and above its offered contract budget that ultimately got awarded to a company, but likely has had its specification extensively modified to suit said company without re-releasing the tender with the revised specification for others to quote on. At least that's our perception as to what has occurred" (supplier).

The time and documentation required in the planning stage was seen by some respondents as onerous.



"The process to get a new acquisition plan approved and open a tender and assess tenders takes a huge amount of time because of all the micro steps and re-work and double handling, so the decision was made to vary the original contract to include the new scope" (procurement officer).

However, others expressed frustration at the lack of attention paid to the initial stages of a procurement.



"There is need for training to the Executives who approve the Acquisition plan to comply the policies" (procurement officer).

"Review and approval of Acquisition Plans not given due care and attention by correct persons" (procurement officer).



## Variations and extensions

Poorly planned procurements may be vulnerable to the improper use of variations or extensions. A variation involves a change to the established contract. An extension allows the contract to go beyond its expiry date. PSSA's *Contract Extensions and Variations Guideline* stipulates that an agency may extend a contract by exercising an option written into the contract, or if an option does not exist, by parties agreeing to extend the expiry date.

Several Commission investigations have involved a public sector employee failing to obtain required approvals for variations. One involved the granting of extensions despite the contract not containing any extension options. Another noted the failure to appropriately document variations. These problems have been observed in other jurisdictions.<sup>62</sup>

Contracts above \$55,000 must be reported in PARS.<sup>63</sup> This includes contracts where variations have increased the contract value above the threshold. A small number of agencies were responsible for a high number of variations. Agencies need to be aware of the corruption risks associated with the misuse of variations. Variations should only be used where necessary and in line with procurement policies and procedures, and not for expediency.

Feedback from those who have attended corruption risks in procurement masterclasses run collaboratively by the Commission and PSSA suggests that corruption risks arising from the improper use of variations are not well understood:



"Use greater scrutiny in doing a variation to extend an existing agreement" (masterclass attendee).

"The training highlighted variations for me. I believe Variations can be a weak link that could be exploited" (masterclass attendee).

There is currently no requirement for public authorities to report variations to the Office of the Industry Advocate. A variation may impact upon an Industry Participation Plan without the Office of the Industry Advocate being made aware of this outcome.





50

## Evaluating tenders

PSSA's *Evaluation and Planning Guideline* requires public authorities to have an evaluation plan.<sup>64</sup> The guideline recommends that members of the evaluation team have the capability to understand the tender. The team should consider and document conflicts of interests, security of information, management of late and alternative offers, and the process for clarifying offers.

Approximately one fifth of procurement officers (19.9%) claimed to have observed certain suppliers being improperly favoured when evaluating bids. Respondents perceived evaluation panels to be more vulnerable to unconscious bias than explicit favouritism. Respondents suggested that favouritism could be avoided by:

- ▶ panel members being trained on addressing unconscious bias
- ▶ an external member included on evaluation panels for high value procurements
- ▶ exclusion of members with pre-existing relationships with tenderers
- ▶ panels being chaired by a procurement professional.

Several respondents made comments regarding integrity breaches that go beyond unconscious bias. One procurement officer described witnessing a senior manager improperly overturning an evaluation panel's decision. Several suppliers involved in separate procurements believed that someone on the evaluation panel had favoured a tenderer with whom they had common interests.

A few suppliers perceived that a procurement had been improperly influenced by an undeclared conflict of interests. This included one supplier who claimed that during the debrief they were told by an evaluation panel member that the evaluation panel's decision was overturned by someone in a "higher" position.



## Open periods

PSSA's *Sourcing Policy* requires that suppliers are given sufficient time to prepare a high quality bid.<sup>65</sup> Just over half of suppliers (55%) surveyed believed that they had sufficient time to prepare their most recent bid. Short opening periods may favour a preferred supplier, particularly an incumbent supplier.

PSSA's *Sourcing Policy* allows for an extension to a procurement opening period only in limited circumstances.<sup>66</sup> Preferential treatment of suppliers regarding accepting late bids can confer an unfair advantage (*Case study 12*).

### CASE STUDY 12:

#### **Public sector employee improperly favours a supplier by accepting a late tender**

The Commission received allegations that a procurement officer working for a local council had reopened a tender upon request from a certain supplier, and had done so without notifying his CEO or receiving approval. Competing tenderers were not offered an extension. The public officer argued that the supplier had not received preferential treatment as other tenderers could have requested an extension. However, the tender had been advertised on the SA Tenders website, which clearly stated that late bids would not be accepted. The supplier who had received the extension was awarded the contract. It was alleged that the public officer had an undeclared conflict of interests with the successful supplier.

Several suppliers explained that they had worked hard to ensure that their tender was submitted on time, only to discover that a competing supplier had successfully applied to have the closing date extended. A few suppliers expressed frustration at having the due date changed multiple times, and several believed that a preferred supplier may have received favourable treatment.





## Failure to segregate duties

Corruption may occur if a single employee has end-to-end control over a procurement, especially if this control is exercised without sufficient supervision (*Case study 13*). The failure to ensure separation between decision making at each stage of the procurement may make corruption difficult to detect.

### CASE STUDY 13:

#### **Failure to adequately segregate procurement and financial duties results in improper procurement**

The Commission received allegations that a purchasing officer for a local council had entered into a large number of contracts with a single supplier without following proper processes, including for contracts that exceeded their financial delegation. A review conducted by the Council found that inadequate segregation of purchasing and payment functions had allowed a single public officer to commission and authorise Council contracts without having followed relevant policies and procedures. The contracts were for services that were beyond requirements and at premium prices. The review noted that under-resourcing and a lack of centralised control of the Council's procurement function had created an opportunity for the exploitation of procurements.

Public authorities consider and limit public officers' discretion over procurements and financial decision making, and ensure appropriate segregations and separations are in place.

#### **RECOMMENDATION 14**



## Exceeding delegated authority

PSSA's *Governance Arrangements Guideline* allows a public authority's Chief Executive to delegate procurement authority to any public officer within their department.<sup>67</sup> Commission investigations have found that public sector employees have exceeded their procurement authority, sometimes with detrimental consequences for the public interest. In some instances, the employee was unaware of the need to obtain proper authorisation (*Case study 14*). Allegations have also been investigated that delegated authority has been intentionally exceeded.

### CASE STUDY 14:

#### **Public sector employee exceeds her delegation to sign a contract that does not offer value for money**

The Commission received allegations that a public sector employee had exceeded her delegation authority by signing a contract for the provision of services. It was further alleged that the public sector employee had executed the contract without undertaking prior financial assessment and without consulting the agency's CEO, Chief Financial Officer or her manager. The procurement did not provide value for money, and the agency suffered a substantial financial loss due to the contract.

## Dealing with unsuccessful tenderers

PSSA's *Supplier Debrief Guideline* requires that tenderers are informed of the procurement outcome and given an opportunity to receive feedback.<sup>68</sup> Debriefs are important to ensure accountability and provide the public authority an opportunity to demonstrate that the procurement was conducted fairly. Public sector employees may be reluctant to provide feedback as they lack confidence or an understanding of probity. A public sector employee who is reluctant to provide feedback to suppliers may also be trying to hide improper behaviour.

Some suppliers claimed they were not offered a debrief. The failure to provide sufficient feedback may lead unsuccessful suppliers to become suspicious that the procurement decision was unduly influenced.



"By the way the tender was written, this confirmed my suspicions that the contract had been awarded before it even went out to tender. Mates, for mates ... To this date, I have had no correspondence advising me of any result" (supplier).



## Record keeping

Good record keeping is essential to maintaining accountability and transparency, and may be useful to address questions about a procurement's integrity. Good record keeping may deter corruption by increasing the likelihood that improper conduct will be detected, as explained in the Commission's evaluation of the City of Playford Council:

*While it may be the case that each procurement was attended to with great care, the absence of important, available and auditable records relevant to the procurements puts the council at risk of assertions of unfair and unethical processes. Moreover there is a real risk that an individual or individuals will take advantage of lax processes to engage in impropriety with little chance of detection.<sup>69</sup>*

PSSA's *Procurement Governance Policy* requires that accurate records are kept for all stages of the procurement processes and decisions are documented. Documentation should be sufficient to allow for auditing or other review.<sup>70</sup>

Most procurement officers (80.9%) responded that the process for their most recent procurement was well documented. However, Commission investigators have found that documentation in relation to public sector procurement is not always adequate. The Auditor-General has also observed that public authorities do not always keep adequate documentation. This includes public authorities not maintaining a record of contact and interactions with potential tenderers, actions taken to manage a potential conflict of interests, the assessment of probity, and how bids were assessed.<sup>71</sup>

Public authorities conduct regular audits of procurement record keeping, including ensuring that all procurement decision making is documented with reasons, and relevant written and verbal communication with suppliers is recorded.

### RECOMMENDATION 15





56

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Chapter eight: Capability

Public sector employees involved in procuring goods and services require sufficient procurement knowledge and skills to perform their jobs competently. PSSA's *Capability Development Strategy 2021–23* sets out the South Australian government's commitment to developing "a highly qualified, technically skilled workforce of procurement and contract management professionals."<sup>72</sup> This involves assisting procurement leaders to develop the skills necessary to undertake their roles, and public authorities to attract and recognise skilled procurement staff.

### Lack of capacity

Some procurement staff specialise in procurement, and have significant experience and relevant professional qualifications.<sup>73</sup> Suppliers described these procurement officers as having an excellent understanding of procurement processes including probity requirements.

Other public sector employees may perform procurements occasionally and alongside other duties, and may not have relevant professional qualifications in procurement.<sup>74</sup> Procurement officers who are infrequently involved in procurement were less aware of corruption risks in procurement compared to those with more experience.<sup>75</sup> Procurement officers who are not well versed in integrity risks may be manipulated by a supplier with nefarious intentions (*Case study 15*).

#### CASE STUDY 15:

#### **Misguided public sector employee allows neighbour to improperly secure a contract<sup>76</sup>**

The Western Australia Corruption and Crime Commission found that a project director had mishandled the procurement of specialised equipment. Several potential suppliers were identified, and the project director had some queries about a Chinese-based supplier. The project director asked his neighbour, who was also a long term friend, for advice as he had previously procured an unrelated product from China for another government agency. The neighbour offered advice on purchasing. He recommended the project director bypass the Chinese supplier and purchase the equipment directly from a Chinese manufacturer, and offered to help translate.

The project director invited his neighbour's wife's company, in which his neighbour was a shareholder, to bid. The project director disclosed draft documents and the details of another bidder to his neighbour. The company was preferentially allowed an extension to complete tender documentation. The company won the bid despite failing the financial capacity assessment. The project director was on the evaluation panel. He declared that he had no conflicts of interests.



The procurement cost approximately \$1 million. The equipment that was eventually purchased was defective and unusable. The agency considered selling it for scrap valued at about \$24,000. While not corrupt, the project director was described as misguided, naïve, and insufficiently aware of confidentiality obligations and requirements to declare conflicts of interests. Inexperienced procurement and contract management staff aided the project director's conduct and contributed to the poor procurement outcome.

Several suppliers related experiences of dealing with a succession of newly-appointed procurement officers, and subsequent poor communication and delays in decision making. Those suppliers described the procurement process as "chaotic" and "a shambles." High staff turnover and a lack of expertise can reduce personal responsibility and accountability, and leave procurements vulnerable to corruption.<sup>77</sup>

An evaluation panel that lacks sufficient understanding of the product being procured may award a contract to the lowest bidder, rather than the bid that offers the best value for money. Underpriced tenders may result in underperformance and excessive variations, and not provide the greatest economic benefit realisation for South Australia.

PSSA's capability development strategy will assist public authorities to undertake procurements competently. However, small agencies may continue to struggle to support their procurements. PSSA conducts procurements on a cost recovery basis for agencies that require additional assistance. This approach may provide a more viable solution to building capacity.

Procurement Services SA consider expanding its capacity to assist agencies that require additional support to undertake procurements, especially where that assistance would help safeguard procurements from impropriety.

**RECOMMENDATION 16**





58

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Information and communication technology procurement

The need for procurement officers to have appropriate skills and expertise is most acute in complex procurements such as in the supply of information and communication technology (ICT) services.<sup>78</sup>



"The procurement for software solutions is complex and there will always be some vendors who know much more than others about the requirements and tender. In fact, the tender often doesn't supply a lot of the finer detail and a lot of assumptions need to be made. This adds risk which may increase price for those who are not very familiar with the detail within the business requirements" (supplier).

The Commission has received allegations about improper ICT procurements (Case study 16).

### CASE STUDY 16:

#### Procurement officer's lack of experience compromises an ICT procurement

The Commission received allegations that a public authority had not followed proper processes in relation to an ICT project procurement. An investigation conducted by the public authority did not find evidence of improper conduct. However, it highlighted how the integrity of an ICT procurement can be compromised if the procurement team lacks sufficient resources and expertise.

The procurement was initially intended to secure an off the shelf software product. When no such product was available, the need for a bespoke product resulted in the procurement becoming complex. The procurement team did not sufficiently understand the business requirements of a complex ICT product, and awarded the tender to the lowest priced bidder. The procurement team did not adequately assess whether the product would fit specification, or the supplier's ability to deliver. As a result, the project was considerably delayed and incurred additional costs.

ICT procurements can be for high value, long term goods and services, and can include numerous components, some of which may be intentionally omitted. For instance, an unscrupulous procurement officer may deliberately manipulate a procurement by including software, but excluding ongoing support or upgrades, to avoid delegation threshold. The need to add components after the contract has been executed, and without an open market procurement, increases the risk of corruption.

Public sector procurement staff need to have sufficient knowledge of the public authority's requirements and the nature and full cost of products. If they do not have this knowledge, they should seek external advice such as appointing an external subject matter expert.



## Procurement under pressure

Procurement conducted under pressure may be vulnerable to corruption. Pressure may arise from procurement officers undertaking procurement duties without sufficient training and support, excessive workloads, or the need to spend funds in a short period of time<sup>79</sup> (Case study 17).

### CASE STUDY 17:

#### **A procurement officer under pressure circumvents procurement policies and procedures**

The Commission received allegations that a public sector employee had divided works into separate quotes to avoid procurement delegation thresholds. The employee had accepted quotes that contained duplication of costs and works, and had authorised work to be performed without purchase orders.

Some of these works were procured after the agency identified unexpended funds, and had directed the employee to spend this funding in a short period of time. The employee did not use a list of prioritised work that was available. Instead, he decided on required works himself. Pressure to spend funds quickly may have contributed to the employee's use of workarounds.

The employee engaged in further misconduct. He failed to declare that he was in a relationship with a manager from a supplier, and improperly directed work to the supplier. This supplier's contract was extended at least three times, despite there being no options for an extension. The employee approved work performed by this supplier without raising a purchase order. It was further alleged that the employee had improperly disclosed confidential tender information to his partner.

The investigation concluded that the employee's misconduct may have been triggered by a lack of skills, training and support needed to fulfil his duties. The employee had discretion over key business processes without appropriate scrutiny, which increased his opportunity to engage in improper conduct and the likelihood of his behaviour going undetected.

Several procurement officers commented that the greatest pressure came from ministers.



"There is a lot of pressure for public servants by incoming governments to procure goods and services quickly. This may relate to election commitments or promises made by government parties." (procurement officer).

"I have witnessed significant pressure from Ministers to get services contracted 'immediately'" (procurement officer).

These procurement officers explained that ministerial pressure can result in rushed procurements which are vulnerable to unplanned changes and expensive variations, and the improper use of direct market procurements.





## Procurement during times of crisis

Procurement officers can be placed under pressure when a procurement is required in a crisis. Integrity risks may be exacerbated during a crisis, including procurement being duly influenced by an undeclared and unmanaged conflict of interests, unauthorised disclosure of confidential tender information, and the circumvention of procurement policies and processes. Further risks are discussed in the Commission's report *Public Administration in a Pandemic: Unique Challenges in the Current Climate*:

*Engaging in emergency procurements, the avoidance of normal procurement practices in the interests of expedience, the increased use of credit cards to procure goods, vendors requesting contract variations and/or advance/quick payment, and the use of direct negotiations are all possible circumstances that, while potentially necessary and unavoidable in the current climate, nevertheless lend themselves to greater integrity risk. They should be carefully monitored and managed.<sup>80</sup>*

Several suppliers alleged that emergency situations may provide unscrupulous suppliers with opportunities to obtain contracts that do not offer value for money. During an emergency situation, public authorities should be alert to suppliers who are unknown to the public authority and, if possible, use pre-qualified suppliers. Documentation should not be neglected, including recording decisions made outside online financial systems. Public authorities may consider allowing suppliers to rely on force majeure clauses in contracts, or otherwise not force suppliers to meet impossible deadlines as this may encourage dishonest conduct and/or substandard work.<sup>81</sup>

PSSA's *Emergency Situation Procurement Schedule* allows for emergency protocols to be applied to situations defined as such under the *Emergency Management Act 2004*. The Schedule only applies to those public authorities who have emergency responsibilities and who are responding to an emergency, in accordance with the provisions of the State Emergency Management Plan, or formal arrangements outlined in other state or commonwealth emergency service related legislation. The *Emergency Situation Procedure Schedule* requires relevant public authorities to "develop a document strategy to ensure their readiness for undertaking procurements in the event of an emergency."<sup>82</sup> However, some agencies may not have such a strategy in place.

Agencies should ensure that they fully understand when emergency situation procurements can be used. Emergency situation procurements cannot be used to avoid due planning approvals and competitive procurement processes, or for urgent or unplanned procurements which are not part of an emergency event.<sup>83</sup> The Auditor-General has reported that a public authority applied emergency situation procurement protocols when no emergency situation had been declared.<sup>84</sup>

Public authorities ensure they have emergency situation procurement frameworks in place and published on their websites.

### RECOMMENDATION 17





62

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Chapter nine: Under reporting of corruption and impropriety in procurement

The Commission's ability to detect, investigate and prevent corruption is heavily dependent on public officers making reports of suspicious behaviour. PSSA's *Supplier Complaints Schedule* states that:

*Supplier complaints can be a valuable source of information on how and where issues have occurred and may pinpoint improvement opportunities in the procurement function and processes.<sup>85</sup>*

However, the Commission has received relatively few complaints and reports from suppliers. In other jurisdictions, suppliers also rarely report corruption, even when they believe that corruption is a major problem or they have lost important contracts.<sup>86</sup>



## Suppliers' awareness of reporting obligations

Suppliers who are contracted to public authorities are public officers under the *Independent Commission Against Corruption Act 2012*, and public officers have a duty to report suspected corruption to the Office for Public Integrity.<sup>87</sup> However, a considerable proportion of suppliers (40%) were unaware that they were classified as public officers, and almost half (48.3%) were unaware of their reporting obligations.

Only one third of suppliers (32.8%) were aware of how to report corruption or other impropriety. This is despite PSSA's *Supplier Complaints Schedule* requiring public authorities to provide "clear and accessible information for suppliers at the commencement of a procurement process on submitting a complaint or providing feedback."<sup>88</sup>

Small suppliers in particular perceived reporting impropriety as being overly complicated.<sup>89</sup> Suppliers on agency-based panels were unsure about how to report.<sup>90</sup> Those primarily located outside of South Australia were confused about what should be reported.<sup>91</sup>

Suppliers involved in bidding for construction and infrastructure contracts were more likely than other suppliers to believe that reporting is not their responsibility and were less likely to make their subcontractors aware of their obligations as public officers. Instead of reporting, construction and infrastructure suppliers were more likely to not bid if they suspect potential corruption.<sup>92</sup>

Construction and infrastructure procurements often involve large sums of money and can be especially vulnerable to corruption.<sup>93</sup> It is essential that suppliers and procurement officers involved in construction and infrastructure are prepared to report if they suspect potential corruption or other impropriety.

Attendees of masterclasses on corruption risks run collaboratively by the Commission and PSSA have suggested that contract managers could include information about reporting obligations in policies and contract documentation, and in contractor inductions. These suggestions would raise awareness among successful suppliers.

There is also a need to raise awareness of the importance of reporting among unsuccessful suppliers. Unsuccessful suppliers may be best placed to report suspicious conduct.<sup>94</sup> While they are not classified as public officers, they are still able to report to the Office for Public Integrity.

PSSA is developing a website for public sector suppliers that will include information on suppliers' reporting responsibilities. Agencies could include information on how to report in tender information, especially for tenders related to construction and infrastructure projects. These initiatives may encourage unsuccessful suppliers to report.



64

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Procurement officers' awareness of reporting obligations

One in four procurement officers (19.9%) were unaware that contractors are public officers while performing contract work for a public authority. More than half (53.3%) were unsure if their workplace provides contractors with information about their reporting obligations as public officers.

Feedback from masterclasses run by the Commission and PSSA on corruption risks in procurement suggests that more needs to be done to ensure that procurement officers are aware of reporting obligations.



"I was not aware of the Contractor's ICAC obligations as a Public Officer..."  
(masterclass attendee).

"Contractors are public officers and therefore have mandatory reporting obligations the same way that public sector employees do ... I am almost certain that most public authorities are not even aware of this fact let alone proactively inducting their contractors to comply with these legal obligations" (masterclass attendee).

The role of informing contractors of their reporting obligations primarily falls to contract managers. Nevertheless, procurement officers may have opportunities to make contractors aware of their reporting obligations, such as directing potential suppliers to PSSA's supplier website once it become available, or including information on reporting obligations in tender documents.

Public authorities provide suppliers with information on internal reporting policies and procedures and suppliers' reporting obligations as public officers. Public authorities ensure that contractors provide corresponding induction material to their subcontractors.

**RECOMMENDATION 18**



## Fear of negative repercussions

Suppliers' reluctance to report suspicious behaviour may be due to fear of suffering negative repercussions. Almost two thirds of suppliers (61.6%) responded that they would be anxious about the personal impact of reporting corruption. More than half (58.7%) were worried that their organisation's ability to win another contract would be jeopardised if they reported.

A few suppliers stated that they had been "blacklisted" by a public authority for speaking out. During one of the Commission's investigations, suppliers explained that they had not reported problems as they wanted to protect their business (*Case study 18*).

### CASE STUDY 18:

#### Suppliers are reluctant to report improper conduct

The Commission received an allegation that a public sector employee responsible for procuring contracts under a panel arrangement had been behaving inappropriately towards suppliers. It was alleged that the employee had threatened that suppliers would not secure work if they did not agree to her rates and had insisted that she was the only point of contact. Suppliers interviewed during the investigation explained that they had not complained as they were worried that they would lose business. The matter was referred to the Ombudsman who found that while the public officer's behaviour could not be proved to be threatening or unprofessional, it did limit the ability of suppliers to raise concerns with the department.

PSSA's *Supplier Complaints Schedule* requires public authorities to appropriately handle complaints, including appropriately managing the confidentiality of identities. Some suppliers (42.6%) believed that their identity would be disclosed if they reported. Several related having their identity disclosed to the public authority at the centre of the report.



66

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Reports of potential impropriety must be actioned

Reports about improper conduct in public sector procurement must be acted upon. The failure to do so can allow corruption to continue unabated. Public officers who perceive that reporting is futile, or that reports may not remain confidential may also be deterred from speaking out.

Less than half of procurement officers (48.4%) and a quarter of suppliers (27.5%) were confident that action would be taken if they reported impropriety. Some suppliers and procurement officers who had reported impropriety were critical that appropriate action had not been taken:



"It wasn't handled, it was covered up" (procurement officer).

"I don't feel it was taken seriously" (procurement officer).

"Nothing was really done about it" (procurement officer).

"It went straight into the too hard basket" (supplier).

"It was swept under the carpet" (supplier).

"More could have been done" (supplier).

Public authorities do not always adequately act on a report of impropriety (*Case study 19*).

### CASE STUDY 19:

#### Public authority does not adequately address a complaint made by a supplier

A complaint regarding procurement was referred to the Ombudsman, who concluded that the department had not adequately dealt with the initial complaint. The department had investigated the complaint, but had not clearly identified the issues raised, had not established if the issues were valid, and had not explained to the reporter what actions the department was going to take in response to deficiencies identified.

On 20 February 2023, an independent complaints process was established by PSSA. This involves the Chief Executive of the public authority informing the Procurement Review Committee within seven days of any unresolved complaints.<sup>95</sup>









68

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Chapter ten: Conclusion

Too often corruption in public sector procurement is overlooked or undetected. Red flags that should be noticed and reported are ignored. As a result, corruption is allowed to continue unabated.<sup>96</sup>

This problem may be partly due to public officers and others involved in the procurement process being reluctant to report suspected corruption. However, failure to act may also reflect a lack of awareness of behaviour that may indicate that procurement is being unduly influenced.

Public officers are reminded to be alert to suspicious conduct relating to public sector procurement. These warning signs do not necessarily constitute corruption *per se*. However, they should prompt public officers to make further enquiries and report suspicious conduct.



## Red flags of potential corruption in public sector procurement

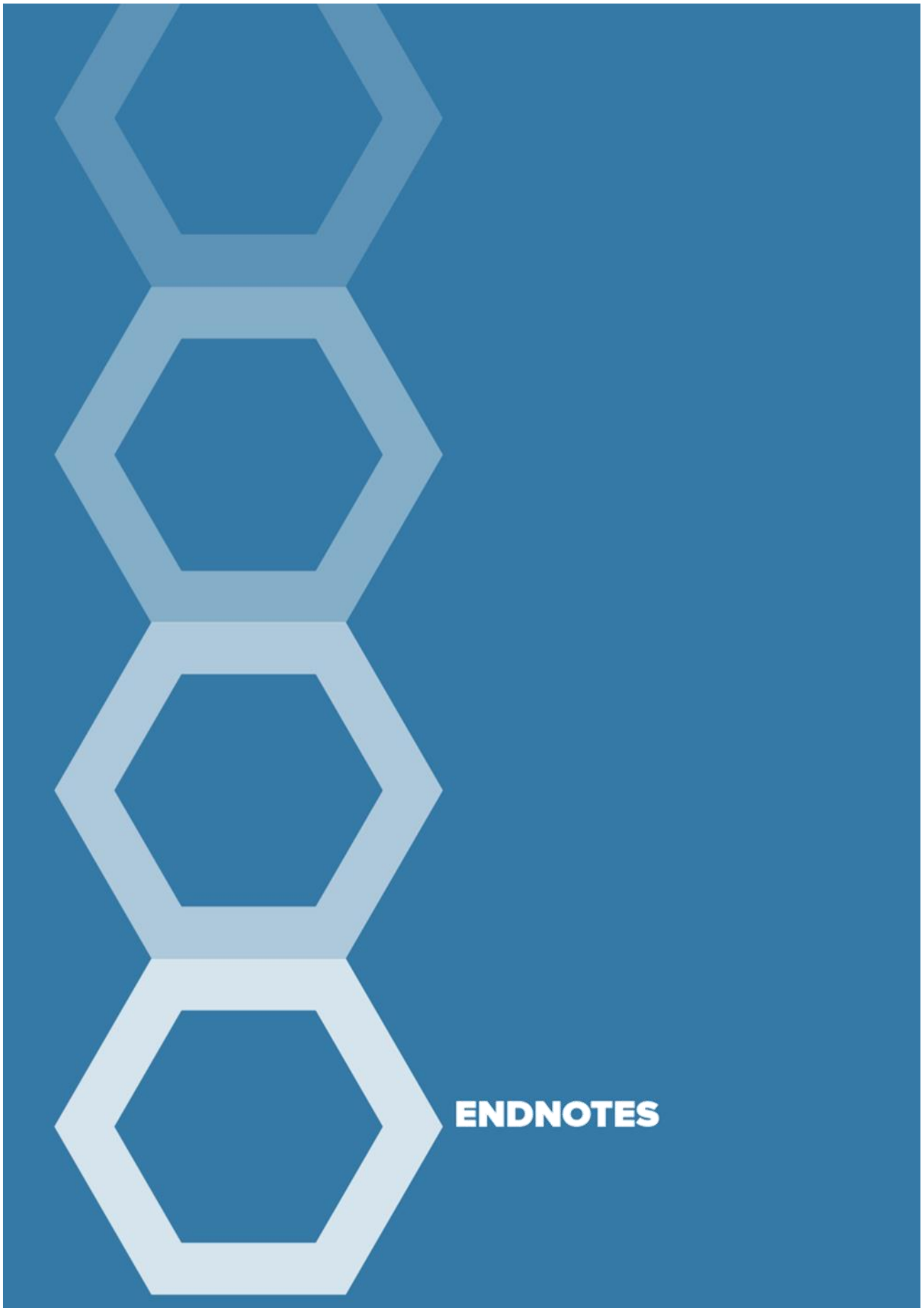
- ▶ Tenders being split so that they fall under procurement thresholds
- ▶ The inclusion of an Aboriginal supplier to increase the chances of winning a tender. Once the tender has been successful, not allocating work to the Aboriginal supplier or misrepresenting labour hours performed by Aboriginal workers
- ▶ Public officers failing to disclose and effectively manage a conflict of interests
- ▶ Public sector employees accepting or soliciting gifts, benefits or hospitality from suppliers
- ▶ Suppliers offering gifts, benefits or hospitality to public sector employees with procurement responsibilities
- ▶ Public employees or suppliers improperly accessing, or attempting to improperly access, confidential procurement information
- ▶ Public sector employees improperly disclosing confidential procurement information to suppliers, or withholding tender information from suppliers
- ▶ Misuse of limited market approaches, variations and extensions
- ▶ Suppliers or public sector employees manipulating tender documents, including influencing specifications, to favour specific suppliers
- ▶ Suppliers being improperly included on a panel or multi-use supplier list, and failures to use suppliers on mandated panels/lists without approved exemptions
- ▶ The awarding of contracts to incumbent suppliers, including those on supplier panels, which do not offer value for money
- ▶ Unsolicited proposals that have not followed proper processes
- ▶ Poorly planned procurements, overly vague specifications, and repeated changes to scope
- ▶ Late tenders accepted from one supplier, but not others
- ▶ Public sector employees having discretion over the entire procurement lifecycle
- ▶ Public sector employees exceeding their delegated authority
- ▶ Failure to maintain robust documentation relating to procurement decisions
- ▶ Lack of transparency regarding procurement decisions, including the failure to provide appropriate and timely feedback to unsuccessful suppliers
- ▶ Procurements that are rushed, under-resourced, pressured by interested parties and conducted by procurement officers who have not received sufficient training and support
- ▶ Public authorities inappropriately using emergency procurement processes



**70**

**BUYING TRUST**  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT





72

BUYING TRUST  
CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

## Endnotes

- 1 Department for Industry and Skills, *Skilling South Australia: Procurement Guideline* (1 December 2018) p 3.
- 2 Department of Treasury and Finance, *Treasurer's Instructions 18 – Procurement, Section 5(1)* (20 February 2023).
- 3 For a description of the survey method, sample and findings see Independent Commission Against Corruption, South Australia, *Survey of Corruption Risks in Public Sector Procurement* (August 2023).
- 4 Tina Sæide 'Corruption in International Business Transactions: The Perspective of Norwegian Firms' in Susan Rose-Ackerman (ed) *International Handbook on the Economics of Corruption* (Edward Elgar Publishing Limited, 2006) p 394.
- 5 Procurement Services SA, *Procurement Governance Policy* (20 February 2023).
- 6 Independent Broad-Based Anti-Corruption Commission, *Perceptions of Corruption 2022: Suppliers* (December 2022); Independent Broad-Based Anti-Corruption Commission, *Perceptions of Corruption: Survey of Victorian Government Suppliers* (June 2016); Independent Commission Against Corruption, New South Wales, *Corruption Risks in NSW Government Procurement: Suppliers' Perceptions of Corruption* (2011).
- 7 Independent Commission Against Corruption, South Australia, *Evaluation of the Practices, Policies and Procedures of Super SA* (6 September 2022) p 70.
- 8 Independent Commission Against Corruption, New South Wales, *Submission to the Legislative Council Inquiry into Procurement Practices of Government Agencies in New South Wales and its Impact on the Social Development of the People of New South Wales*, Standing Committee on Social Issues (January 2024) p 10.
- 9 Independent Broad-Based Anti-Corruption Commission, *Operation Fitzroy: An Investigation into the Conduct of Former Employees of the Department of Transport/ Public Transport Victoria, Barry John Wells and Hoe Ghee (Albert) Ooi, and Others* (October 2014).
- 10 Attorney-General's Department, Government of South Australia, Aboriginal Economic Participation, accessed 21 May 2024. <https://www.agd.sa.gov.au/aboriginal-affairs-and-reconciliation/aboriginal-land-and-business/aboriginal-economic-participation>
- 11 Deloitte, *Third Year Evaluation of the Indigenous Procurement Policy* (Department of the Prime Minister and Cabinet, August 2019).
- 12 Supply Nation, accessed 21 May 2024. <https://supplynation.org.au>.
- 13 Standing Committee on Indigenous Affairs, *Report on Indigenous Participation in Employment and Business* (Parliament of the Commonwealth of Australia, 2021) p 20–32; Select Committee on the Effectiveness of the Australian Government's Northern Australian Agenda, *Final Report* (Parliament of the Commonwealth of Australia, April 2021) p 134–146; Small Business Commissioner, New South Wales, *Submission to Review of the Aboriginal Procurement Policy (APP) and Aboriginal Participation in Construction (APIC) Policy* (2 August 2019).
- 14 Department for Industry and Skills, *Skilling South Australia: Procurement Guideline* (1 December 2018) p 3.
- 15 Standing Committee on Indigenous Affairs, *Report on Indigenous Participation in Employment and Business* (Parliament of the Commonwealth of Australia, 2021) 20–32; Northern Territory Auditor-General, *Report to the Legislative Assembly* (November 2018); KPMG, *Independent Evaluation. Indigenous Employment Provisional Sum and Remote Contracting Policy: Final Report* (Department of Trade, Business and Innovation, 15 December 2016); Christopher Walsh 'Four-year sentence for Darwin builder who swindled \$200,000 from Indigenous jobs program' ABC News (10 April 2019), accessed 21 May 2024. <https://www.abc.net.au/news/2019-04-10/jail-time-for-darwin-builder-who-swindled-indigenous-program/10989510>.
- 16 Department for Industry and Skills, *Skilling South Australia: Procurement Guideline* (1 December 2018) p 3.
- 17 Crime and Corruption Commission, Queensland, *When Conflicts of Interest in Procurement Result in Criminal Convictions* (September 2021).
- 18 Procurement Services SA, *Probity and Ethical Procurement Guideline* (20 February 2023) p 3.
- 19 For example, see Independent Broad-Based Anti-Corruption Commission, *Operation Betka: An Investigation into Alleged Corrupt Conduct by a Former Contractor of the Department of Education and Training* (May 2020); Independent Commission Against Corruption, New South Wales, *TAFE South West Sydney Institute – Corruption Allegations Concerning ICT Manager (Operation Sonet)* (March 2016).
- 20 Auditor-General's Department, *Report 8 of 2002, Annual Report for the Year ended 30 June 2022, Part C: Agency Audit Reports* (18 October 2022) p 45.
- 21 Independent Commission Against Corruption, New South Wales, *Submission to the Legislative Council Inquiry into Procurement Practices of Government Agencies in New South Wales and its Impact on the Social Development of the People of New South Wales*, Standing Committee on Social Issues (January 2024)
- 22 Office of the Commissioner for Public Sector Employment, *Code of Ethics for the South Australian Public Sector* (January 2022) p 8.
- 23 Australian Public Service Commission, *APS Values and Code of Conduct in Practice* (13 September 2021) p 50.
- 24 Ibid.



- 25 Independent Commission Against Corruption, South Australia, *Integrity Spotlight: Gifts and Benefits* (June 2022) p 1.
- 26 Independent Commission Against Corruption, South Australia, *Integrity Spotlight: Gifts and Benefits* (June 2022); Independent Commission Against Corruption, New South Wales, *Corruption Risk in NSW Government Procurement: The Management Challenge* (December 2011).
- 27 Adam Graycar 'Mapping Corruption in Procurement' (2019) 26(1) *Journal of Financial Crime* 162.
- 28 Procurement Services SA, *Gifts, Entertainment and Benefits Guideline* (20 February 2023) p 1.
- 29 Office of the Commissioner for Public Sector Employment, *Guidelines, Gifts and Benefits* (26 August 2020).
- 30 SA Health, *Policy Gifts and Benefits*, (30 May 2023).
- 31 NSW Buy, *Supplier Code of Conduct* (14 February 2020); Buying for Victoria, *Supplier Code of Conduct* (15 September 2022).
- 32 Independent Broad-Based Anti-Corruption Commission, *Perceptions of Corruption 2022: Suppliers* (December 2022); Independent Broad-Based Anti-Corruption Commission, *Perceptions of Corruption: Survey of Victorian Government Suppliers* (June 2016); Independent Commission Against Corruption, New South Wales, *Corruption Risks in NSW Government Procurement: Suppliers' Perceptions of Corruption* (2011) p 9.
- 33 Dana Katz, Arthur L. Caplan and Jon F. Merz 'All Gifts Large and Small: Toward an Understanding of the Ethics of Pharmaceutical Industry Gift-Giving' (2010) 10(10) *The American Journal of Bioethics* 11.
- 34 Procurement Working Group (Ministerial Statement), House of Assembly (13 March 2012); Printer Cartridge Scam, Legislative Council (15 October 2013); Daniel Willis '\$125m Spent by Public Servants in Cartridge Kickback Scandal, Government Report Reveals' (14 March 2012) *The Advertiser*; Candice Pross 'Public Servant Admits to 'Gross Over-Ordering' of Printer Cartridges Before Getting iPads' (15 July 2016) ABC News.
- 35 James P. Orlowski and Leon Wateska 'The Effects of Pharmaceutical Firm Enticements on Physician Prescribing Patterns: There's No Such Thing as a Free Lunch' (1992) 102 *Chest* 270.
- 36 Tasmanian Integrity Commission, *An Own Motion Investigation into Policies, Practices and Procedures Relating to Receiving and Declaring of Gifts and Benefits in the Tasmania State Sector* (2015).
- 37 Corruption and Crime Commission, Western Australia, *Report into Bribery and Corruption in Maintenance and Service Contracts with North Metropolitan Health Service* (16 August 2018).
- 38 Procurement Services SA, *Sourcing Policy* (20 February 2023).
- 39 Office of the Commissioner for Public Sector Employment, *Code of Ethics for the South Australian Public Sector* (January 2022) p 6.
- 40 IBAC's 2022 survey found 61% of suppliers believed there was a medium or high risk that confidential tender information provided to agency could be leaked to a competitor prior to close of tender. IBAC's 2016 survey found 25% of suppliers believed it is typical or very typical for confidential tender information to be leaked to competitors. Approximately 25% of respondents to the 2011 New South Wales survey thought that the leaking of confidential tender information occurred frequently. Independent Broad-Based Anti-Corruption Commission, *Perceptions of Corruption 2022: Suppliers* (December 2022); Independent Broad-Based Anti-Corruption Commission, *Perceptions of Corruption: Survey of Victorian Government Suppliers* (June 2016) 9; Independent Commission Against Corruption, New South Wales, *Corruption Risks in NSW Government Procurement: Suppliers' Perceptions of Corruption* (June 2011) p 10.
- 41 Two thirds (64%) of respondents to the 2022 Victorian survey believed that there is a high or medium risk of a Victorian state or local government agency giving unequal information to organisations interested in a tender. In the 2016 Victorian survey and the 2011 New South Wales survey, approximately 40% of suppliers believed that agencies typically give unequal information to suppliers interested in a tender. *Independent Broad-Based Anti-Corruption Commission, Perceptions of Corruption 2022: Suppliers* (December 2022), Independent Broad-Based Anti-Corruption Commission, *Perceptions of Corruption: Survey of Victorian Government Suppliers* (June 2016) p 9; Independent Commission Against Corruption, *Corruption Risks in NSW Government Procurement: Suppliers' Perceptions of Corruption* (June 2011) p 10.
- 42 Procurement Services SA, *Intellectual Property in Procurement Guideline* (20 February 2023).
- 43 Independent Commission Against Corruption, New South Wales, *Roads and Maritime Services – Allegations Concerning Employees' Awarding of Contracts (Operation Ember)* (2022).
- 44 Department of Treasury and Finance, *South Australian Industry Participation Policy: Procedural Guidelines* (1 January 2023) p 3.
- 45 Procurement Services SA, *Procurement Planning Policy* (20 February 2023) pp 5–6.
- 46 Procurement Services SA, *Panel Contracts Guideline* (20 February 2023) p 1.
- 47 Independent Broad-Based Anti-Corruption Commission, *Corruption Risks in the Public Health Sector* (October 2017) p 11.
- 48 Procurement Working Group, House of Assembly (14 March 2012).
- 49 Independent Commission Against Corruption, New South Wales, *Investigation into the Awarding of Roads and Traffic Authority and Roads and Maritime Services Contracts* (March 2023); *Independent Commission Against Corruption, Investigation into the Conduct of a University of Sydney ICT Manager* (May 2016); Independent Commission Against Corruption, New South Wales, *Submission to the Legislative Council Inquiry into Procurement Practices of Government Agencies in New South Wales and its Impact on the Social Development of the People of New South Wales*, Standing Committee on Social Issues (January 2024) p 9.
- 50 Procurement Services SA, *Panel Contracts Guidelines* (2 February 2023) pp 3–4.





74

BUYING TRUST  
 CORRUPTION RISKS IN PUBLIC SECTOR PROCUREMENT

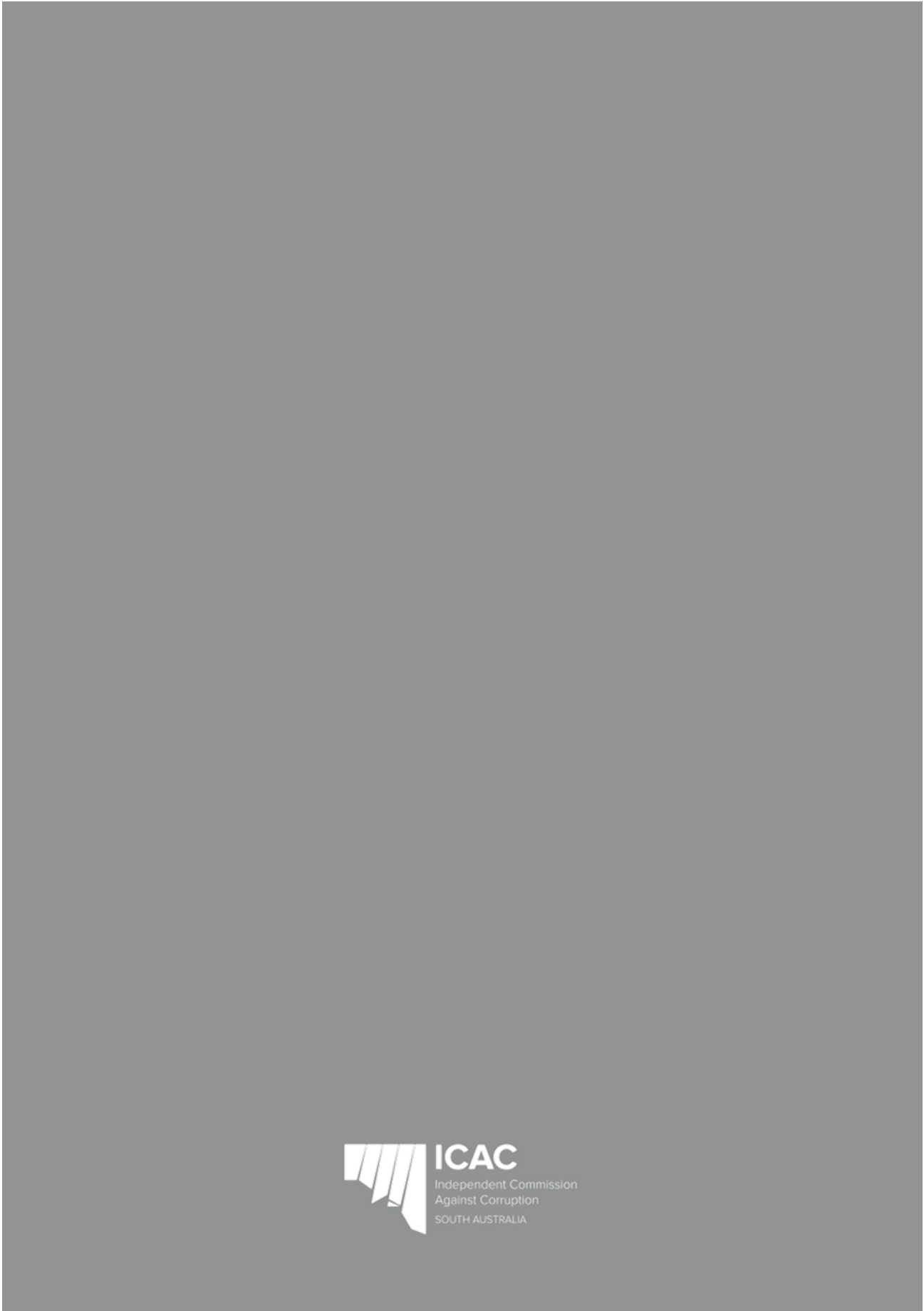
- 51 This matter was assessed as raising potential issues of misconduct and maladministration. The matter was accepted as it was received prior to the October 2021 legislative changes that restricted the Commission's jurisdiction to corruption.
- 52 Department of Premier and Cabinet, *Premier and Cabinet Circular PC038 – Unsolicited Proposals*.
- 53 Procurement Services SA, *Unsolicited Proposals Schedule* (1 June 2023).
- 54 Procurement Services SA, *Procurement Planning Policy* (20 February 2023).
- 55 Independent Commission Against Corruption, South Australia, *Yes Minister* (7 March 2023) p 4.
- 56 Elisabetta Iossa and Michael Waterson, 'Maintaining Competition in Recurrent Procurement Contracts: A Case Study on the London Bus Market' (2019) 75 *Transport Policy* 141; Christoph Carnehl and Stefan Weiergraeber 'Bidder Asymmetries in Procurement Auctions: Efficiency vs. Information – Evidence from Railway Passenger Services' (2023) 87 *International Journal of Industrial Organization*; Independent Commission Against Corruption, New South Wales, *Dealing with Incumbent Providers in Procurement* (November 2021).
- 57 Elisabetta Iossa and Michael Waterson, 'Maintaining Competition in Recurrent Procurement Contracts: A Case Study on the London Bus Market' (1029) 75 *Transport Policy* 141.
- 58 Independent Commission Against Corruption, New South Wales, *Dealing with Incumbent Providers in Procurement* (November 2021).
- 59 Dakshina G. De Silva, Georgie Kosmopolou and Carlos Lamarche, 'The Effect of Information on the Bidding and Survival of Entrants in Procurement Auctions' (2009) 93(1) *Journal of Public Economics* 56; Independent Commission Against Corruption, New South Wales, *Dealing with Incumbent Providers in Procurement* (November 2021).
- 60 Procurement Services SA, *Value of Money in Procurement Guideline* (20 February 2023); Procurement Services SA, *Procurement Planning Policy* (20 February 2023).
- 61 Independent Commission Against Corruption, New South Wales, *Investigation into the Conduct of a Senior Officer of the NSW Department of Justice and Others* (November 2016); Independent Commission Against Corruption, New South Wales, *Investigation into the Conduct of a Mine Subsidence Board District Manager* (March 2016).
- 62 Office of the Auditor General Western Australia, *Western Australian Auditor General's Report: Local Government Contract Extensions and Variations and Ministerial Notice Not Required* (4 May 2020).
- 63 Department of Treasury and Finance, *Treasurer's Instructions 18 – Procurement, Section 10(f)(a)* (20 February 2023).
- 64 Procurement Service South Australia, *Evaluation Planning Guideline* (20 February 2023).
- 65 Procurement Services SA, *Sourcing Policy* (20 February 2023) p 5.
- 66 Ibid.
- 67 Department of the Premier and Cabinet, *Procurement Governance Policy* (1 April 2021) p 2.
- 68 Procurement Services SA, *Supplier Debrief Guideline* (20 February 2023).
- 69 Independent Commission Against Corruption, South Australia, *Evaluation of the Practices, Policies and Procedures of the City of Playford Council* (November 2019) p 81.
- 70 Procurement Services SA, *Procurement Governance Policy* (20 February 2023) p 10.
- 71 Auditor-General's Department, South Australia, *Battery Storage Procurement, Report 9* (26 November 2018); Auditor-General's Department, South Australia, *Probity of the Processes for the Heavy Rail Service Contract, Report 9* (25 May 2021).
- 72 Procurement Services SA, *Capability Development Strategy 2021–23* (nd).
- 73 South Australian Productivity Commission, *Government Procurement Inquiry Stage 2 – Final Report* (8 November 2019) p 155.
- 74 Ibid, p 19.
- 75 Procurement officers who are occasionally involved in procurement are significantly more likely than those who are frequently involved in procurement to rate their knowledge of corruption risks in procurement as average or below ( $\chi^2=32.973$ ,  $df=5$ ,  $p<0.01$ ,  $N=326$ ,  $v=0.318$ ), to not be aware that confidential agreements are required for a procurement evaluation ( $\chi^2=10.539$ ,  $df=2$ ,  $p<0.01$ ,  $N=314$ ,  $v=0.183$ ), not to consider that agencies may give unequal information to suppliers ( $\chi^2=13.080$ ,  $df=5$ ,  $p<0.05$ ,  $N=314$ ,  $v=0.204$ ) and not to believe that suppliers may offer gifts to public sector employees involved in procurement ( $\chi^2=12.065$ ,  $df=5$ ,  $p<0.05$ ,  $N=318$ ,  $v=0.195$ ).
- 76 Corruption and Crime Commission, Western Australia, *Review of an Investigation by Water Corporation into Serious Misconduct Allegations in Procurement* (2021).
- 77 Michaly Fazekas and Elizabeth David-Barrett, *Corruption Risks in UK Public Procurement and New Anti-Corruption Tools* (Government Transparency Institute, November 2015) p 11.
- 78 Ivan Langr, 'Public Procurement in the Systemic Corruption Environment: Evidence from the Czech Republic' (2018) 2 *The NISpacee Journal of Public Administration and Policy* 68.
- 79 Independent Commission Against Corruption, New South Wales, *Submission to the Legislative Council Inquiry into Procurement Practices of Government Agencies in New South Wales and its Impact on the Social Development of the People of New South Wales*, Standing Committee on Social Issues (January 2024) p 11.
- 80 Independent Commissioner Against Corruption, South Australia, *Public Administration in a Pandemic: Unique Challenges in the Current Climate* (May 2020) p 7.





- 81 Independent Commission Against Corruption, New South Wales, *Managing Corrupt Conduct During the Covid-19 Outbreak* (2 April 2020); Independent Commissioner Against Corruption, South Australia, *Public Administration in a Pandemic: Unique Challenges in the Current Climate* (May 2020); Independent Broad-Based Anti-Corruption Commission, *State Government: Building Public Sector Integrity During Times of Crisis or Emergency* (August 2020).
- 82 Procurement Services SA, *Emergency Procurement Schedule* (20 February 2023) 2.
- 83 Ibid.
- 84 Auditor-General's Department, Report 8 of 2022, *Annual Report for the Year Ended 30 June 2022*, Part C: Agency Audit Report (18 October 2022) p 353.
- 85 Procurement Services SA, *Supplier Complaints Procedure* (20 February 2023) p 1.
- 86 Ibid.
- 87 Independent Commission Against Corruption, South Australia, *Factsheet: Are you a Government Contractor?* (January 2023).
- 88 Procurement Services SA, *Supplier Complaints Schedule* (20 February 2023).
- 89  $\chi^2=18.853$ ,  $N=352$ ,  $df=10$ ,  $p<0.05$ ,  $v=0.164$ .
- 90  $\chi^2=11.450$ ,  $N=357$ ,  $df=5$ ,  $p<0.05$ ,  $v=0.179$ .
- 91  $\chi^2=11.729$ ,  $N=358$ ,  $df=5$ ,  $p<0.05$ ,  $v=0.181$ .
- 92 Suppliers involved in construction procurements are significantly more likely than suppliers for other types of goods and services to believe that it is not their responsibility to report ( $\chi^2=18.937$ ,  $df=5$ ,  $p<0.01$ ,  $v=0.230$ ) and to state that they do not make subcontractors aware of their obligations as public officers ( $\chi^2=11.789$ ,  $df=3$ ,  $p<0.01$ ,  $v=0.181$ ).
- 93 Independent Broad-Based Anti-Corruption Commission, *Construction Risks Associated with Major Transport Infrastructure Projects* (February 2023).
- 94 Tina Søreide, 'Beaten by Bribery: Why Not Blow the Whistle?' (2008) 164(3) *Journal of Institutional and Theoretical Economics* 407.
- 95 Procurement Services SA, *Procurement Governance Policy* (20 February 2023) p 10.
- 96 For example, Independent Broad-Based Anti-Corruption Commission, *Operation Liverpool: An Investigation into the Conduct of Two Officers of Bendigo Health, Adam Harding and John Mulder* (March 2017); Independent Broad-Based Anti-Corruption Commission, *Operation Nepean: An Investigation into the Conduct of Former Employee of Dame Phyllis Frost Centre, Jeff Finlow* (April 2017); Corruption and Crime Commission, Western Australia, *Review of An Investigation by Water Corporation into Serious Misconduct Allegations in Procurement* (2021).





**5.2 INTERNAL AUDIT - PAYROLL AND REMUNERATION – REPORT NO. AR24/29749**

<b>Committee:</b>	<b>Audit and Risk Committee</b>
<b>Meeting Date:</b>	<b>29 July 2024</b>
<b>Report No.:</b>	<b>AR24/29749</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Kahli Rolton, Acting Manager Financial Services</b>
<b>Authoriser:</b>	<b>Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services</b>
<b>Summary:</b>	<b>This report provides a summary of the Internal Audit - Payroll and Remuneration outcomes including findings and actions as prepared by UHY Haines Norton, Chartered Accountants.</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People</b> <b>Goal 2: Our Location</b> <b>Goal 3: Our Diverse Economy</b> <b>Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage</b> <b>Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit and Risk Committee Report No. AR24/29749 titled 'Internal Audit - Payroll and Remuneration' as presented on 29 July 2024 be noted.
2. That it be noted that progress achieved on the actions resulting from the Internal Audit – Payroll and Remuneration will be reported in future internal audit updates.



## TYPE OF REPORT

Corporate

## BACKGROUND

1. **Statutes Amendment (Local Government Review) Act 2021** – Item 83 Amendment of section 125 - Internal control policies and item 84 Amendment of section 126 – Audit and Risk committee applies greater emphasis on internal audit and risk management.
2. **Local Government Act 1999 Section 125A - Internal audit functions:**
  - (1) *The chief executive officer of a council that has an internal audit function must, before appointing a person to be primarily responsible for the internal audit function, or assigning such responsibility to an employee of the council, consult with the relevant audit and risk committee on the appointment or assignment of responsibility.*
  - (2) *Despite any other law or instrument to the contrary, the person primarily responsible for the internal audit function—*
    - (a) *must ensure that any reports they prepare relating to the internal audit function are provided directly to the audit and risk committee; and*
    - (b) *may report any matters relating to the internal audit function directly to the audit and risk committee.*
3. **Local Government Act 1999 section 126(4) – Audit and risk committee:**

*The functions of a council audit and risk committee include—*

*(g)(i) if the council has an internal audit function—*

  - (A) *providing oversight of planning and scoping of the internal audit work plan; and*
  - (B) *reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;*
4. **Internal Audit Approach** - Council has historically not had an internal audit function or undertaken internal audits. An approach was agreed with Dean Newbery and Partners further to their appointment as Council's external auditor in 2021 as follows:
  - **Internal Financial Controls Self-Assessment** - The internal financial controls that had not been assessed since 2018 would be assessed in FY 2023;
  - **Internal Audit** - A risk-based approach would be undertaken to build an internal audit program starting with one internal audit in FY 2024.
5. **Audit and Risk Committee Terms of Reference** - The following section of the Audit and Risk Committee Terms of Reference (as adopted in April 2024) is relevant to this report:
  - 12.4 Internal Audit** *(where Council has a separate internal audit function) The Committee shall:*
    - 12.4.1 Monitor and Review** - *The effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.*
    - 12.4.2 Program** - *Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.*
    - 12.4.3 Reports** - *Review all reports on the Council's operations from the internal auditors.*

Aligned with **Sections 125A and 126 (4)** of the Local Government Act.



**12.4.4 Findings and Recommendations** - Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor; and

**12.4.5 Direct Access** - Provide the internal Auditor with the right of direct access to the Mayor of the Council and to the Presiding Member of the Committee.

6. **Internal Audit Plan** - Was reviewed at the November 2023 Audit and Risk Committee meeting and adopted at the December 2023 Council meeting. The scope of the program included an Internal Audit of Payroll and Remuneration that would utilise external resource.
7. **Quarterly Internal Audit Update Report** - Was presented to the Audit and Risk Committee for the first time at the January 2024 meeting including the following:
  - **RFQ Process** - A select Request for Quote (RFQ) process was undertaken in December 2023 and January 2024 where two external providers were provided with a copy of the Internal Audit Plan that was adopted in December 2023. Both external providers provided submissions that were reviewed by the Manager Financial Services with a recommendation provided to the General Manager.
8. **External Provider Engagement and Planning** – UHY Haines Norton was the external provider appointed to undertake the internal audit. An Initial meeting held with preferred provider to work through the proposed scope, timing and price in more detail, the provider then met with Council's external auditor.
9. **Internal Audit Scope Review** - Aligned with the adopted Internal Audit Plan 2024-2026 and the Internal Audit Policy a report was brought to the February Audit and Risk Committee to outline the scope for the Payroll and Remuneration Internal Audit.

## PROPOSAL

1. **Audit Scope** - The focus of the audit was to ensure accuracy and compliance in relation to changes that take place during the employee lifecycle. In the first instance, this involved review of payroll/HR processes and supporting calculations including the following:
  - **Appointment** - When a new employee is appointed and starts at City of Mount Gambier (CoMG).
  - **Changes to employment terms** - EB changes, increment increases, temporary changes in role (e.g. higher duties/acting),
  - **Termination** – When an employee exits the organisation.
2. **Scope Exclusions** - The internal Auditor engaged with Council's External Auditor (Dean Newbery) to minimise any overlap between the external audit and this internal audit activity.
3. **Sample Size** - The sampling size for new employees was 20%, for changes to employee terms was 10%, and for terminated employees was 10%.
4. **Internal Audit Timings** - The internal audit took place in March 2024 onsite with the report produced in June 2024.
5. **Budget** - The agreed budget for this Audit is aligned with the 2023/2024 budget of \$10k.
6. **Management of Internal Audit** - The internal audit was undertaken by the external provider. This report is brought to the Audit and Risk Committee by the Acting Manager Financial Services to detail the findings and recommendations.



7. **Report General Observations** - As per the report in Attachment 1, the following observations were made:
- **Internal Controls Self-Assessment** - It was noted that Council staff undertook the self-assessment of the Better Practice Model in 2022/2023. The Council’s External Auditors have advised that this should be reviewed every other year.
  - **Further Internal Audits** – This Internal Audit was confined to the scope of new employees, changes to employee terms and terminated employees. A future assessment of all employees against the terms and conditions of the relevant EBs, Awards and Contracts would be a potential Internal Audit that the Committee may wish to consider.
8. **Key Audit Findings** - The following audit findings were provided to Council staff (summary of what has been included in the attached report):

Ref	Details and Recommendation	Managers Comments	Timing	Risk Rating
1	<p>The Council’s <u>Administrative Principle Risk Management</u> was issued in June 2022 and is noted on the document as due for review in June 2023. This document is overdue for review.</p> <p>The Administration Procedure – <u>Acting Arrangements and Higher Duties Allowance</u>, provides guidance on the processes for higher duties but also extracts from EBs and Awards. It does not include Mixed Functions for field staff which has different provisions for payment at higher classifications. A procedure should extract all components from a Relevant Award or EB but be kept updated whenever those change or instead refer to the relevant Clause Numbers of the Award or EB.</p>	<p>The Risk Management Policy was reviewed by the Audit and Risk Committee and adopted by Council in June 2024.</p> <p>Administration Principle is being reviewed and is scheduled to be updated by the end of the calendar year.</p> <p>This administrative principle is being reviewed and will be updated by the end of the calendar year.</p>	<p>June 2024</p> <p>December 2024</p> <p>December 2024</p>	Moderate



2	<p>One contract was signed manually by the employee and not signed by a witness. Two contracts were not signed by the CEO. One contract was signed by the CEO and employee via Adobe Sign; the witness box remains on the document and is unsigned.</p> <p>An employment contract does not need a witness when signed securely, such as using Adobe Esign, but if the Council is not going to use a witness, the witness box should be removed. We note that the latest contracts did not have a witness box. The Council also now uses Adobe Esign to electronically sign their employment contracts. This process ensures that all parties sign the contract and initial each page.</p> <p><b>The Contract with the missing CEO signature should be addressed.</b></p>	<p>The contracts with the missing CEO signatures will be addressed immediately. (since completed)</p> <p>The Council sought legal advice before changing to Adobe Esign. This advice confirmed that the Council does not require a witness when executing an electronic contract, providing the Council is using a secure and approved facility.</p> <p>The contracts with the missing CEO signature had a letter of offer which is issued by the CEO.</p> <p>One of the contracts that was not signed by the CEO covers terms and conditions within the EB.</p> <p>The other contract that was not signed by the CEO will be addressed as the terms and conditions fall outside of the EB</p>	Now	<p>Moderate until the missing signature is addressed</p> <p>Low, ongoing with Adobe Esign procedures</p>
---	--	--	-----	--

9. **Detailed Assessment** – full details of assessments and recommendations are provided in Attachment 1 - Internal Audit Report Payroll and Remuneration to this report.
10. **Internal Auditor Attendance** - Corinne Garrett Manager Government Consulting will be in attendance at the Audit and Risk Committee meeting to answer questions from committee members.
11. **Next Steps** – The progress against the actions arising from this internal audit will be reported back to the Audit and Risk Committee as part of the following:
  - **Quarterly Internal Audit Reporting** – Included in the quarterly report to the audit and Risk Committee and Council.
  - **Annual Report** - Aligned with Section 99 of the Local Government Act the CEO is:
    - (ib) *to report annually to the relevant audit and risk committee on the council's internal audit processes; quarterly reporting and will be included in the annual report*

**LEGAL IMPLICATIONS**

Local Government Act 1999, as specified above.

**STRATEGIC PLAN**

N/A





## **COUNCIL POLICY**

[Internal Audit Policy](#)

[F225 Fraud and Corruption Prevention Policy](#)

[Internal Controls Policy](#)

[Risk Management Policy](#)

## **ECONOMIC IMPLICATIONS**

N/A

## **ENVIRONMENTAL IMPLICATIONS**

There are no environmental / climate change implications in relation to this report.

## **SOCIAL IMPLICATIONS**

There are no social implications in relation to this report.

## **CULTURAL IMPLICATIONS**

N/A

## **RESOURCE IMPLICATIONS**

**Budget Allocation** - The Internal Audit Plan 2024-2026 was created to be conducted within the current available budget. \$20k has been included in the 2023/2024 budget for two internal audits. This audit is aligned with the overall budget.

## **VALUE FOR MONEY**

N/A

## **RISK IMPLICATIONS**

Improved internal audit processes is in keeping with the Audit and Risk responsibilities and legislation and will result in improved risk management processes.

## **EQUALITIES AND DIVERSITY IMPLICATIONS**

N/A

## **ENGAGEMENT AND COMMUNICATION STRATEGY**

N/A

## **IMPLEMENTATION STRATEGY**

The findings and recommendations have been discussed with actions agreed with dates for completion. The actions will be implemented with reporting brought to the Audit and Risk Committee quarterly.

## **CONCLUSION AND RECOMMENDATION**

It is recommended that the attached Payroll and Remuneration Internal Audit Report, prepared by UHY Haines Norton, Chartered Accountants, as presented is noted by Council. Progress against actions arising from this audit will be presented against future internal audit updates.

## **ATTACHMENTS**

1. Internal Audit - Payroll and Remuneration Report [↓](#)



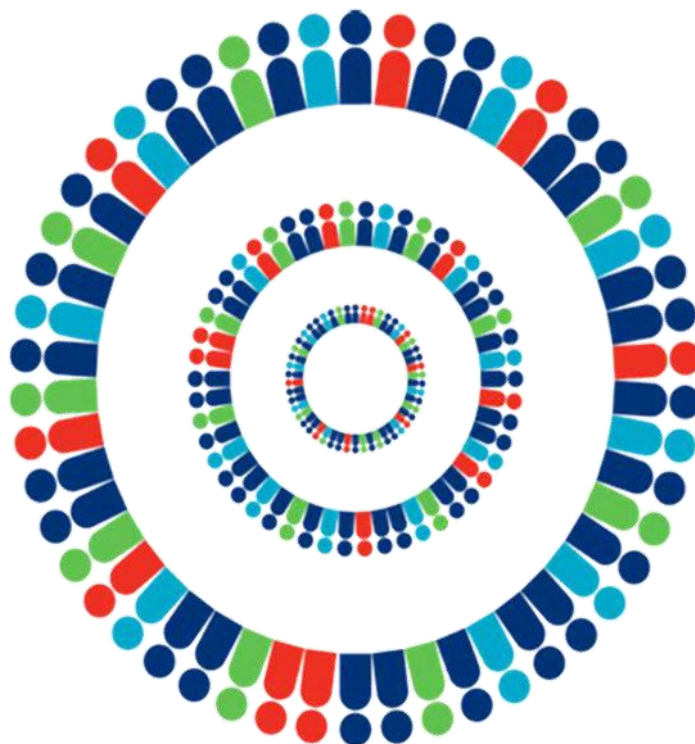


**Internal Audit**  
**Payroll and Remuneration Processes**  
Prepared for the City of Mount Gambier

---

*June 2024*





**Disclaimer:** This document is for the exclusive use of the person/entity named on the front of this document ('Recipient'). This document must not be relied upon by any person who is not the Recipient. UHY Haines Norton does not take responsibility for any loss, damage or injury caused by the use, misuse or misinterpretation of the information in this document by any person who is not the Recipient. This document may not be reproduced in whole or in part without permission.

Liability is limited by a scheme approved under Australian Professional Standards Legislation.

**Lead Report Author: Corinne Garrett**  
**Lead On-Site Auditor: Shane O'Reilly**  
**UHY Haines Norton**  
**25 Peel Street, Adelaide, SA 5000**  
**Tel 08 8110 0999**  
**ABN: 37 223 967 491**



## Contents

Abbreviations.....	4
Introduction .....	4
Audit Objectives.....	4
Scope of Audit.....	4
Disclaimer.....	5
Audit Approach .....	5
Internal Audit Personnel .....	5
Audit Conclusion .....	6
General Observations .....	6
Internal Controls Self-Assessment .....	6
Further Internal Audits.....	6
Audit Findings .....	6
Key Findings .....	6
Appendix 1 – Detailed Assessment.....	8
1. Documented Procedures .....	8
2. New Employees.....	8
Our Assessment .....	9
3. Changes to Employee Terms.....	9
Our Assessment .....	10
4. Terminated Employees .....	10
Our Assessment .....	10
Control Ratings.....	11
5. Administration Staff Enterprise Agreement .....	11
6. Administration Staff Award .....	14
7. Field Staff Enterprise Agreement.....	16
8. Field Staff Award.....	19
9. Legislation .....	22
10. Better Practice Model – Internal Controls.....	23
Appendix 2 – Risk Framework.....	25



## Abbreviations

The following abbreviations are used in this report;

EB      Enterprise Bargaining Agreement

## Introduction

The City of Mount Gambier (CoMG) engaged UHY Haines Norton to undertake an internal audit of the Council's Payroll and Remuneration Processes, specifically the onboarding, changes to staff employment terms and exit of staff.

Ensuring accuracy and compliance in these areas is crucial for employee satisfaction, legal adherence and limiting financial exposure.

## Audit Objectives

The objectives of the Internal Audit were to review the CoMG's Payroll and Remuneration processes to;

- Enhance compliance: verify adherence to relevant Enterprise Bargaining Agreements, industrial awards and contracts, legislation, and Council policies.
- Optimise processes: identify opportunities to streamline and improve onboarding, changes to employment terms and staff exit procedures for increased efficiency and reduced errors.
- Minimise risk: evaluate and mitigate potential risks associated with inaccurate payroll processing, non-compliance, and inadequate documentation.
- Promote best practices: Recommend best practices and industry standards to strengthen this function.

## Scope of Audit

The scope of the Internal Audit included;

- Review of relevant policies and procedures: Analyse applicable Council policies, guidelines and agreements governing employee onboarding, changes to employment terms (pay raises, promotions, higher duties, etc) and staff exit procedures.
- Onboarding process evaluation: assess the effectiveness of the Council's onboarding process, including contract review, document collection, initial payroll setup and introduction to benefits and entitlements.
- Changes to employment terms: evaluate how changes to employee salary, position, benefits, or other terms are documented, processed, and reflected in payroll records to ensure compliance with relevant Enterprise Agreements, awards, contracts, and regulations.
- Staff exit procedures: Review the effectiveness of the Council's procedures for employee terminations, final pay calculations and benefits termination.
- Internal controls assessment: evaluate the effectiveness of internal controls within the Payroll and Remuneration function, identifying potential risks and areas for improvement.
- Testing of transactions and records: sample and test employee records, payroll transactions and supporting documentation to ensure accuracy and compliance with policies, regulations, agreements, contracts, and awards in relation to the areas of this audit.



- Prepare an audit report with findings, recommendations, and action plans.
- The period for the review is the 12 months prior to March 2024.

The Council's Audit and Risk Committee also asked to check that wage rates were correct and if any payroll was made out of normal pay runs.

We checked that new employees and employees that had changes were paid in accordance with the relevant EBs. This was completed as part of our testing.

Payroll is paid at set periods, and we didn't find anything contrary to this within the scope of our testing. However, termination payments may be paid at different times. We note that the Council usually makes termination payments with the normal pay run. However, there may be circumstances where a termination payment needs to be paid before the next pay run. This is standard practice and does not create any additional risk as the same processes, reviewing, and reconciliations are still in place.

We liaised with the Council's External Auditors to ensure that this Internal Audit added value to the Council without repeating the work that the Council's External Auditors undertake.

### Disclaimer

Our Internal Audit work was limited to that described in this report. It was performed in accordance with the 'International Standards for the Professional Practice of Internal Auditing' contained in the 'International Professional Practices Framework' issued by the Institute of Internal Auditors.

## Audit Approach

Due professional care is exercised during the planning, execution, and reporting of the results by the reviewer. However, absolute assurance cannot be given that other non-compliance and irregularities do not exist as our analysis is limited to sample testing of key control and requirement areas for the last twelve months and within the scope of this Internal Audit.

To undertake this Internal Audit, we;

- Reviewed relevant documentation: policies, procedures, agreements, contracts, payroll records and supporting documentation.
- Interviewed key personnel: payroll staff, HR personnel, managers, and employees.
- Observed processes; undertook walkthroughs of onboarding, changes to employment terms and staff exit procedures.
- Completed data analysis and testing: sampling and testing of employee records, payroll transactions and supporting documentation.

The key findings were provided to management for discussion. Management responses are included in the Audit Conclusion section of this report.

### Internal Audit Personnel

Our Audit Planning was completed by our Audit Team, including Corinne Garrett, the Chief Internal Audit Executive at UHY Haines Norton, Kristy Watson, our Senior Auditor and Shane O'Reilly, our Auditor.





Corinne is a Professional Member of the Institute of Internal Auditors Australia and holds a Graduate Certificate in Internal Auditing from the Institute. Kristy and Shane have extensive experience in Audit work with Local Government clients.

Shane O'Reilly undertook the onsite Audit work.

## Audit Conclusion

### General Observations

#### *Internal Controls Self-Assessment*

We note that the Council staff have undertaken the self-assessment of the Better Practice Model. The internal controls for the payroll component of the Better Practice Model were assessed by the Financial Accounting Coordinator and reviewed by the Manager of Financial Services in 2022/23. The Council's External Auditors have advised that this should be reviewed every other year.

Undertaking this self-assessment is good practice and serves as a proactive approach to identifying, evaluating, and managing risks. It is particularly important where there are new staff as it allows managers to ensure that processes have retained integrity despite staff changes.

#### *Further Internal Audits*

This Internal Audit was confined to the scope of new employees, changes to employee terms and terminated employees. Changing employee status is a potentially high-risk area. A future assessment, testing a range of current employees (excluding the employees within the scope of this audit) against the terms and conditions of the relevant EBs, Awards and Contracts, would be a potential Internal Audit that the Council may wish to consider.

## Audit Findings

### Key Findings

The following findings have been provided to management, and their responses are included.

The detailed assessment is contained in Appendix 1.

Finding	Details and Recommendation	Managers Comments	Timing	Risk Rating
1	<p>The Council's <u>Administrative Principle Risk Management</u> was issued in June 2022 and is noted on the document as due for review in June 2023. This document is overdue for review.</p> <p>We note that the Council adopted a reviewed Risk Management Policy in June 2024</p> <p>The Administration Procedure – <u>Acting Arrangements and Higher Duties Allowance</u>, provides guidance</p>	<p>The Administration Principle Risk Management Procedure is being reviewed and is scheduled to be updated by the end of the calendar year.</p> <p>The Risk Management Policy was reviewed and was presented to the Audit and Risk Committee on 3 June 2024 and resolved by the Council on 18 June 2024.</p> <p>This principle is being reviewed and will be updated</p>	<p>December 2024</p> <p>December 2024</p>	Moderate





	<p>on the processes for higher duties but also extracts from EBs and Awards. It does not include Mixed Functions for field staff which has different provisions for payment at higher classifications. A procedure should extract all components from a Relevant Award or EB but be kept updated whenever those change or instead refer to the relevant Clause Numbers of the Award or EB.</p>	<p>by the end of the calendar year.</p>		
2	<p>One contract was signed manually by the employee and not signed by a witness.                  Two contracts were not signed by the CEO. One contract was signed by the CEO and employee via Adobe Sign; the witness box remains on the document and is unsigned.                  An employment contract does not need a witness when signed securely, such as using Adobe Esign, but if the Council is not going to use a witness, the witness box should be removed.                  We note that the latest contracts did not have a witness box. The Council also now uses Adobe Esign to electronically sign their employment contracts. This process ensures that all parties sign the contract and initial each page.</p> <p><b>The Contract with the missing CEO signature should be addressed.</b></p>	<p>The contracts with the missing CEO signatures will be addressed immediately.</p> <p>The Council sought legal advice before changing to Adobe Esign. This advice confirmed that the Council does not require a witness when executing an electronic contract, providing the Council is using a secure and approved facility.</p> <p>The contracts with the missing CEO signature had a letter of offer which is issued by the CEO.</p> <p>One of the contracts that was not signed by the CEO covers terms and conditions within the EB.</p> <p>The other contract that was not signed by the CEO will be addressed as the terms and conditions fall outside of the EB</p>	Now	<p>Moderate until the missing signature is addressed</p> <p>Low, ongoing with Adobe Esign procedures</p>



## Appendix 1 – Detailed Assessment

### 1. Documented Procedures.

The Council staff are developing a suite of updated written documented. The payroll procedures are near completion.

#### Document Review Dates.

We noted that both the Administration and AWU EBs are current and continue to 1 December 2025.

The following procedures are due for review:

- Administrative Procedure – Acting Arrangements and Higher Duties Allowance. Due for review in March 2024. Our onsite visit was in March 2024, and this procedure was current at the time of our visit.

The other procedures provided to us were all current.

#### Procedure alignment with EBs and Awards

We reviewed procedures in relation to the scope of this Internal Audit against the EBs and Awards.

- Administrative Procedure – Acting Arrangements and Higher Duties Allowance. This procedure is noted as applying to all council staff. Section 2 relates to higher duties and states that higher duties will apply for periods of acting of 5 days or greater and has the variation that occurs in relation to the Salaried Officer Award and the Local Government Employees Award.
  - The variation in the procedure for Local Government Employees Award staff is that where the staff member has previously performed the higher position, the period will become one working day or more.
  - The Local Government Employees Award Clause 5.4.1 provides that an employee engaged for 2 hours or more on any one day at a higher classification will be paid at higher duties. This relates to mixed functions.
  - Clause 5.4.2 of the award relates to higher duties, and the procedure is aligned with this clause.
  - A procedure is useful to inform staff on the process for undertaking a task. A procedure should refer to an award or EB for details or to provide assistance with interpretation. The mixed functions are not referenced in the procedure and could result in incorrect payment.
  - **Recommendation: if procedures extract information from Awards and EBs, ensure that all relevant components are extracted and updated whenever Awards and EBs change; otherwise, document a procedure to provide instruction on the process but refer to the relevant Clauses of the appropriate Awards and EBs.**

The other procedures provided to us correctly aligned with EBs and Awards.

### 2. New Employees

Payroll has a printed procedure that they follow for the onboarding of staff. Human Resource employees gather the initial employee documents and reports and send these through to the Records team who create an employee file. The employee information is forwarded to Payroll who inputs this information into Civica. The changed data will appear on the exception report (Maintenance Audit Report) which the Financial Accounting Coordinator reviews. The Financial Accounting Coordinator



checks all changes recorded in the Audit Report back to source documentation on the employee file and marks the Audit Report as reviewed.

The following testing was undertaken on the samples selected for new employees:

- The existence of the employee to signed Letter of Offer or signed Employment Contract
- Employee personnel file was set up.
- Tax Declaration was on file.
- Superannuation form was on file.
- Identification documents were on file – Driver’s license for field staff.
- Emergency contact information on file
- Deduction authority forms on file (if applicable)
- New employee information in the file corresponded to employee information in the payroll system.
- Existence of an audit exception report generated for each payroll period to show changes made to the payroll database.
- That employee had signed a Code of Conduct before receiving any council assets.
- That new employee has been provided with access to the Council policies and procedures.
- That the organisation chart has been updated with the new employee
- That an internal email or notice was given to the existing staff of the newly appointed employee
- A formal review of the employee was conducted prior to the end of the probation period.
- That the employee is being paid in accordance with the EB or contract agreement.

Administration and Field staff were included in the testing and both new ongoing and new contract employees were assessed.

#### *Our Assessment*

One contract was signed manually by the employee and not signed by a witness. Two contracts were not signed by the CEO. One contract was signed by the CEO and employee via Adobe Sign; the witness box remains on the document and is unsigned.

An employment contract does not need a witness, and if the Council is not going to use a witness, the witness box should be removed. We note that the latest contracts did not have a witness box. The Council also now uses Adobe Sign to electronically sign their employment contracts. This process ensures that all parties sign the contract and initial each page.

**Recommendation: The Contract with the missing CEO signature should be addressed.**

No other shortfalls were identified in the testing of the controls around new employees. We are satisfied with the segregation of duties in the process of creating, inputting, and processing new employees.

### 3. Changes to Employee Terms

The most common change is increment increases. When an employee is first set up in Civica, an increment date is set for future payroll increment changes. These appear on an ‘Employee Events Report’ prior to the increment date. The Payroll Officer actions the increment increase in the system. The increment change is shown in the Maintenance Audit Report, which is reviewed by the Financial Accounting Coordinator, who also checks all changes recorded back to source documentation on the employee file and marks the report as reviewed.



The other common change is in relation to higher duties.

The following testing was undertaken on the samples selected.

- Is there a signed authority for the change to pay conditions?
- Is the change in accordance with the relevant EB or contract?
- If acting in higher duties, have they been acting for 5 or more days?
- Has the increase been flagged in the exception report?
- Has the exception report been signed off by an authorised employee?
- Has the change been recorded correctly in future payroll reports?
- Whether the higher or alternative duties were supported by a Secondment Letter of Offer, which has been filled in and approved.

Short-term higher duties do not result in a change to the payroll master file, and therefore, the change does not show on the Maintenance Audit Report. Instead, the Pay Edit Listing Report is reviewed and signed off.

#### *Our Assessment*

For changes to employee terms, we note that there were no shortfalls identified in the testing of controls around pay rate and employment changes. We are satisfied with the segregation of duties in recording changes to employee terms.

#### **4. Terminated Employees**

When terminating staff, HR follows an Employee Exit Checklist for the offboarding process. This process creates a workflow through the council system which specifies the tasks for all relevant roles to complete in the process of termination of an employee.

The following testing was undertaken on the samples selected:

- Was the correct procedure carried out for termination?
- If termination was due to resignation,
  - is the letter of resignation retained on file?
  - Was the resignation period in accordance with the EB or contract?
- Was the terminated employee made inactive in the payroll module?
- Was termination pay calculated correctly in the payroll module?
- Did termination pay match leave balances, termination dates and hours worked?
- Was the termination payment calculations included in the employee records?
- Did net payments for selected terminated employees agree to the Bank Transfer Report?
- Did the pay period following the termination of the employee include any further payments to the terminated employee?
- Was terminated employee access to software removed?
- Were all the Council assets (laptop, phone, vehicle) noted as returned?
- Was an exit interview conducted?
- Was employee exit internally communicated?
- Was the organisational chart updated?

Employees are sent an exit interview by email, not all employees choose to fill this in.

#### *Our Assessment*

No shortfalls were identified in the testing of controls around terminated employees.





### Control Ratings

The following table shows the control ratings used.

Control Rating	Description	Number of Findings
Ineffective	The control or requirement has not been implemented or completed.	
Requires significant improvement	The control or requirement has been implemented or completed but with significant deficiencies in the consistency or effectiveness of implementation.	
Partially effective	The control or requirement has been implemented or completed but with some deficiencies in the consistency and/or effectiveness in which it has been applied.	
Majority effective	The control or requirement has been implemented or completed and, in the majority of cases, has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control or to enhance the undertaking of the requirement, but only with minor adjustments.	
Effective	The control or requirement has been fully implemented or completed and has, in all cases, been consistently and/or effectively applied.	
Not Applicable	This control or requirement is not applicable, or the situation did not occur in the internal audit period or within the scope of the audit and testing.	

The following tables provide more information on the results of our testing and the review of processes against the Council's Enterprise Bargaining Agreements, Industrial Awards, Legislation and the Better Practice Model. Only components that relate to our audit scope are included in the following assessment.

### 5. Administration Staff Enterprise Agreement

Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Administration Staff Enterprise Agreement Number 12, 2022			
Requirement	Details	Assessment	Control Rating
Redeployment	Affected employees will be redeployed into a position of equal classification or it is not feasible an Employee may be deployed to a lower classification. The salary is frozen at the remuneration rate before redeployment until the new position reaches an equal salary rate and, employment benefits attached to the former position are maintained, and training is provided to the employee for the new position. Within 3 months of accepting redeployment, an employee, if not the right fit, can request reconsideration of a Voluntary Separation Package.	No cases were identified within the scope. Council staff noted that there were not any redeployments within the last 12 months and none since the implementation of this clause within the EB.	N/A
Voluntary Separation Package	Where offered, a Voluntary Separation Package is calculated based on the Employee's remuneration and employment status and normal hours worked at the time the package is offered and accepted by the employee. It consists of: <ul style="list-style-type: none"> <li>10 weeks' notice of termination or payment of weekly salary in lieu.</li> <li>3 weeks total weekly salary severance pay per year of service up to a maximum of 104 weeks in total (including the period of notice of termination)</li> <li>If required by the employee, a reimbursement of outplacement expenses equivalent to 10% of the annual salary is provided to assist the employee in securing alternative employment. Access to this 10% only applies until the employee secures alternative</li> </ul>	No cases identified within the scope	N/A



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Administration Staff Enterprise Agreement Number 12, 2022			
Requirement	Details	Assessment	Control Rating
	<p>employment or for a maximum of 12 months from the date of separation, whichever is sooner.</p> <ul style="list-style-type: none"> <li>• Payment of pro-rata long service leave shall be paid if the employee has completed at least 5 years of service at the date of separation.</li> <li>• An employee offered a Voluntary Separation Package cannot be re-employed by the council for at least 2 years.</li> </ul>		
Local Area Workplace Agreements	<p>The Administration EB allows for Local Area Workplace Agreements which can prescribe employment and working arrangements different from those prescribed under the Award and Agreement.</p> <p>General Inspectors are on a LAWA. The LAWA is included in Schedule 2 of the EB and sets out the hours of work, toil arrangements, loadings, and callouts.</p>	Two current employees fall under this LAWA. Neither are new nor have had any payroll changes through the last 12 months.	N/A
Reclassification	<p>According to Schedule 1 of the Award</p> <p>See Administrative Procedure – Staff Classification and Reclassification</p>	Tested employees with pay increments and employees who acted with higher duties and found no issues. There were no reclassifications within the tested employees.	
Graduates	<p>This only applies to new positions where the newly appointed person is currently studying a relevant degree or negotiates as part of their appointment, to embark on relevant degree qualifications.</p> <p>Existing employees must apply through the reclassification process to advance levels, automatic progression does not apply as part of advancing to a higher level.</p>	No cases identified within the scope	N/A
Superannuation	<p>The default fund is Hostplus unless a new employee nominates a superannuation fund of their choice.</p> <p>Salary link – advised by Hostplus.</p> <p>Market link – Superannuation guarantee levy</p>	Superannuation nomination forms were signed and filed.	
Salary Sacrificing	<p>An employee may elect to vary the amount of salary sacrifice to an eligible superannuation fund at any time. The employee's salary shall be the pre-sacrificed salary. The net salary paid to an employee will be reduced by any amount of salary sacrificed to superannuation.</p>	One of the new employees in our testing chose to salary sacrifice; there were no issues found.	
Parental Leave	<p>Whilst an employee is on paid parental or adoption leave, superannuation is paid by the Council at the superannuation guarantee entitlement for a max. Period of 52 weeks if the employee is the primary caregiver, completed at least one year's continuous service prior to commencing Parental Leave. Any periods of unpaid leave of less than 2 weeks per interval will not affect the continuity of service. The payment is made as a lump sum once the employee has returned to work and is calculated on the employee's contracted salary prior to the commencement of the leave. If the</p>	There were no employees in this situation within our testing. However, we note that there is a current Administrative Procedure – Maternity Superannuation Calculation.	N/A



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Administration Staff Enterprise Agreement Number 12, 2022			
Requirement	Details	Assessment	Control Rating
	employee does not return to work following the conclusion of their Parental Leave, all payments will be forgone. Should an employee utilise alternative paid leave options during their absence, which attracts superannuation, the amount of superannuation paid during these periods will be counted towards the maximum period; however, these amounts will be deducted from the lump sum payable.		
Phased Retirement	Within 5 years of retirement and choose to work part-time – by written agreement between the employee and relevant General Manager, commence phased retirement. Access up to 500 hours of accrued annual and long service leave to make up a full fortnight's (76 hours). Must have worked 5 years with the council, must retain a balance of 15 days annual or long service leave, must be medically fit to perform full-time work, not be receiving workers' compensation or temporary disability payments under a superannuation insurance policy or any income protection. Must attend work for a minimum of 3 days and a maximum of 8 days per fortnight over a 10-day fortnight and not be performing paid employment for any other employer.	No cases were identified within the scope and testing	N/A
Purchased Leave	Employees may apply to purchase additional leave upon agreement with the Council. Can purchase 1 to 2 weeks additional leave each year which is funded by salary deductions spread evenly over the year. Reduces the fortnightly salary but allows employees to continue to receive pay during the periods of purchased leave. Applications must be completed by the end of March each year for the leave to be taken in the following financial year.	No cases were identified within the scope and testing	N/A
Salary Schedule	Schedule 1 of the EB sets out the rates of pay per level and EB increases. EB increases commence from the first full pay period after the 1 <sup>st</sup> of December. Back payments are processed before the 30 <sup>th</sup> of June 2023. CPI is the September Quarter – Adelaide.	Tested pay rate changes to EB agreements. No issues were found.	
21. Overtime and Penalty rates	This section sets out the overtime and time off in lieu (toil) and needs to be considered when setting up a new employee.	Overtime and penalty rates are attributed to employee classification; we noted this was being accurately recorded in our new employees' testing.	
20. Hours of work	This section sets out the hours of work. Full-time employees work 80 hours a fortnight and are paid for 76 hours, with 4 hours accruing towards an RDO.	We noted that new employees were being paid in accordance with the EB.	





6. Administration Staff Award

Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
South Australian Municipal Salaried Officers Award			
Requirement	Details	Assessment	Control Rating
3.1.2 Casual Employment	An employee engaged for a period of 800 hours or less in any year (from the anniversary date) may be engaged as a casual on an hourly contract with a loading of 25% in addition to the ordinary time hourly rate. A casual employee does not receive annual leave and public holidays but does accrue Long Service Leave. An employee employed for more than 800 hours in a year shall be engaged as a part-time or full-time employee unless the employee and employer agree in writing and signed by both parties. A casual employee is entitled to overtime or penalty payments under 5.1 of the awards.	No cases identified within the scope	
3.1.3 Part-Time Employment	An employee with less than full-time hours is engaged as part-time. The provisions of the award apply on a pro-rata basis. Overtime and penalty rates apply where work is performed outside of the ordinary span of hours set out in clause 6.1. where in any two-month block, commencing at the beginning of a calendar year, the employee has worked sufficient additional hours to exceed the number of weekly hours for which the employee is contracted (see 3.1.3.2) The working hours of a part-time employee may be changed by mutual agreement. A part-time employee shall be required to work the equivalent hours as a full-time employee works within a 12-month period to qualify for incremental progression within the classification level.	Overtime and penalty rates are attributed to employee classification; we noted this was being accurately recorded in our new employees' testing.	
3.1.4 Fixed Term Employment	An employer may engage an employee for a fixed-term contract. This needs a written agreement setting out the terms and conditions of the contract, including the nature of the duties and award classification, and signed by the employer and employee.	We noted that new employees that we tested were being paid as per their contract or EB agreement.	
3.2 Termination by Employer	The EB may have higher requirements in this area. An employee cannot be paid less than the Award. 3.2.1 sets out the period of notice depending on years of service and according to age. It also sets out that a payment in lieu of the prescribed notice may be provided. This clause does not apply in the case of dismissal for serious misconduct, apprentices, employees engaged for a specific term and trainees under a traineeship agreement at the end of the agreement. 3.2.5 sets out the requirements for redundancy and severance pay and transfer to lower-paid duties.	There were no employees made redundant within the scope of our testing. Terminated employees that we tested were paid correctly.	
4.3 Higher Duties	An employee directed by the employer to perform duties higher than those on their normal classification shall be paid whilst performing those duties the minimum for the higher paid classification if they substantially perform the duties or a salary rate commensurate with the value of the duties they are directed to perform. They must perform those higher duties on the first	Employees working at higher duties were being paid at the relevant higher classification for the term specified in their agreements. We found no issues with this process.	



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
South Australian Municipal Salaried Officers Award			
Requirement	Details	Assessment	Control Rating
	occasion for a continuous period of five working days or more. On subsequent occasions, if level 5 and above – 5 days, if below level 5 – 4 days or an aggregate of 10 days in a calendar month. Relief cashiers or positions containing a supervisory component, where they normally don't have a supervisory component, can only be for 1 day to become entitled to higher duty pay. An officer who performs higher duties as a relief cashier during lunch hours and other times as necessary shall be paid on each occasion for the actual time worked (with a minimum of one hour's payment for any one day) at the rate of a cashier according to years of service.		
4.4 Allowances	This clause sets out the allowances that may relate to a position. This needs to be checked when setting up a new employee or when an employee is changing positions.	Employee allowances and deductions were checked to initial input into the payroll system for our new employee samples. No problems were found.	
5 Hours of work	Hours of work – these are the minimum conditions. The EB can vary and provide additional to these. Penalties can be varied in the EB.	The contracts sighted listed hours of work.	
5.3 Library Offices	This sets out the loading that relates to library officers after 5 pm during the week and on weekends.	Not relevant to the employees tested	N/A
5.4 Overtime	It can be varied by EB, but this clause sets out the overtime rates if not covered in the EB.	Overtime is covered in the relevant EB.	
5.7 Call out	EB may be at a higher level. The Award is the minimum.	Covered in EB	
6.2 Annual Leave Loading	This needs to be set up or a manual way to ensure that this is paid.	New employees were being paid in accordance with the EB or contract, including leave loading.	
6.5 Parental Leave	6.5.11 A replacement employee for parental leave is engaged or temporarily promoted as a result of an employee starting parental leave. The replacement employee must be informed of the temporary nature of the employment and the rights of the employee who is being replaced, such as the right to return to work.	None of the tested employees were engaged to provide parental leave replacement.	N/A
6.5.5 Portability of Sick Leave	Sick leave is portable from council to council. There needs to be a process of informing the new council if an employee is leaving or getting information from the previous council for a new employee on the number of hours of sick leave accrued and the current hourly rate of the employee.	The Termination Checklist includes the preparation of a form that provides a new council with sick leave and long service leave balances.	
S1.3 Progression through the levels	At the conclusion of each 12-month period following appointment to a classification, an officer shall be eligible for incremental progression within each salary level subject to the following: <ul style="list-style-type: none"> <li>Where the employer adopts and implements a formal, structured performance appraisal scheme, progression from the first increment to the top increment within a classification level shall be subject to the officer having given 'satisfactory service' for the prior 12 months of employment.</li> <li>Determining 'satisfactory service' should contain: <ul style="list-style-type: none"> <li>Principals to ensure equity and procedural fairness.</li> </ul> </li> </ul>	We tested employees with pay increments over the past 12 months and confirmed incremental progression was in line with the Award. We were informed that the Council automatically increments employees.	



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
South Australian Municipal Salaried Officers Award			
Requirement	Details	Assessment	Control Rating
	<ul style="list-style-type: none"> <li>○ Current and accurate job description</li> <li>○ Individual training plans where through the appraisal the need for additional training becomes apparent.</li> <li>○ Appraisal to take place at least 6 months prior to the anniversary date to allow improved performance for annual increment.</li> <li>○ Disputes dealt with in accordance with dispute settling procedure.</li> <li>• If there is not a formal structured staff appraisal scheme, increments will occur automatically on an annual basis.</li> </ul> <p>Senior Officers – there can be an agreement for an additional amount in lieu of incremental advancement provided performance standards are achieved and those performance standards are agreed between the Senior Officer and the Council. (CEO).</p>		

### 7. Field Staff Enterprise Agreement

Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
AWU Enterprise Agreement No. 12 2022			
Requirement	Details	Assessment	Control Rating
11. Employment Security	No forced redundancy. Redeployment to a position of the same classification level. Redeployment to a position of lower classification level with income maintenance. Provision of Voluntary Separation Package.	No redundancies during the period tested.	N/A
13. Acceptance of Classifications	<p>Any reclassification claims or applications for reclassification are to be in writing in accordance with the Classification and Reclassification Procedure. Reclassification is considered on the basis of:</p> <ul style="list-style-type: none"> <li>• A change in the authorised job description</li> <li>• An employee being appointed to a recognised position of higher classification.</li> <li>• An employee meeting the provisions of the Mixed Functions Clause of the Award 5.4.1.2 of the Award</li> <li>• Where an employee demonstrates a willingness to multi-skill as per Clause 7 of the EB</li> </ul> <p>Any new permanent employee engaged and who might ordinarily be classified as a Municipal Employee 3 will be immediately reclassified to Grade 4 if they have a 'light truck' (LR) licence or will be reclassified upon the completion of 12 months of satisfactory service and have (as a minimum) a licence to drive a 'light truck (LR)'.</p>	Reclassifications were tested in our higher duties testing. Found no issues in regard to supporting documentation for classification changes.	



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
AWU Enterprise Agreement No. 12 2022			
Requirement	Details	Assessment	Control Rating
16 Special Rates and Allowances	This clause lists the types of allowances that can be applied. How does the Council ensure that an employee entitled to these allowances receives them?	Employee allowances and deductions were checked to initial input into the payroll system for our new employee samples. No issues were found.	
17. Higher Duties	This clause does not apply to Coordinators, Managers or Executive Management teams. An employee engaged in duties carrying a higher rate than their ordinary classification will be paid at the higher rate in accordance with Clause 5.4 of the Award. Payment will only be made if the details of the higher duties have been recorded on the employee(s) timesheet for that day and authorised by the General Manager City Infrastructure or nominee. Higher duty payments shall not apply where an employee agrees in writing to forgo higher duty payments and undertake on-the-job training for the purposes of succession planning and/or to enhance the employees' future career opportunities.	Employees working at higher duties were being paid at the relevant higher classification for the term specified in the agreement. We found no issues with this process.	
20 – Phased Retirement	Within 5 years of retirement and choose to work part-time – by written agreement between the employee and relevant General Manager, commence phased retirement. Access up to 500 hours of accrued annual and long service leave to make up a full fortnight's (76 hours). Must have worked 5 years with the council, must retain a balance of 15 days annual or long service leave, must be medically fit to perform full-time work, not be receiving workers' compensation or temporary disability payments under a superannuation insurance policy or any income protection. Must attend work for a minimum of 3 days and a maximum of 8 days per fortnight over a 10-day fortnight and not be performing paid employment for any other employer.	None in the tested employees	N/A
20 – Purchased Leave	Employees may apply to purchase additional leave in terms approved by their General Manager. Can purchase 1 to 2 weeks additional leave each year which is funded by salary deductions spread evenly over the year. Reduces the fortnightly salary but allows employees to continue to receive pay during the periods of purchased leave. Applications must be completed by the end of March each year for the leave to be taken in the following financial year.	None in the tested employees	N/A
20 – Part Time employment	By written agreement between an employee and the council, an employee may request to change from a full-time working arrangement to part-time. The agreement must be signed by the employee and the organisation. Overtime applies to all part-time employees. Part-time employees only receive overtime payments where the employee has completed in excess of the ordinary hours of work per week in accordance with clause 22 of the EB, i.e. in excess of 10 per day worked Monday to Friday inclusive (but excluding Public Holidays) and beyond an accrual of 75 flexible hours per annum and outside of the times stated at Clause 22.	None of the tested employees on this award went from full-time to part-time or were engaged part-time.	N/A
21 - Superannuation	The default fund is Hostplus unless a new employee nominates a superannuation fund of their choice.	Superannuation nomination forms were signed and on file	





Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
AWU Enterprise Agreement No. 12 2022			
Requirement	Details	Assessment	Control Rating
	Salary link – advised by Hostplus. Market link – Superannuation guarantee levy		
Superannuation additional	A further 1% contribution will be made by the council for superannuation. This is over the mandated contribution for superannuation.	The employees we tested were being paid in accordance with the EB.	
Salary Sacrifice	An employee may elect to vary the amount of salary sacrifice paid to an eligible superannuation fund at any time. The employees' salary shall be the pre-sacrificed salary, however, the net salary paid to an employee will be reduced by any amount of salary sacrificed to superannuation.	Deduction forms were signed and on file.	
22 – Hours of work	This clause sets out the hours of work.	The employees we tested were being paid in accordance with the EB.	
23 – additional hours/overtime	This clause sets out the requirements for additional hours and overtime.	The employees we tested were being paid in accordance with the EB.	
24- On-call allowance and callouts	This section sets out the requirements for on-call allowances and callouts.	The employees we tested were being paid in accordance with the EB.	
27 Sick Leave Payment Scheme	<p>Employees can be paid out a percentage of unused accrued sick leave entitlement on termination of employment and cash-out part of the accrual of annual sick leave entitlement each year, i.e. a maximum accrual of 76 hours per year.</p> <p>Termination Pay Out – an employee must have served for a minimum of 10 continuous years with the council and have a minimum preserved accrued entitlement of 500 hours at the date of termination. Where an employee qualifies, the payment on termination equates to 50% of the accrued entitlement above 500 hours. The payment is paid at the normal base wage at the date of termination. The provisions do not apply to an employee who abandons or unlawfully terminates their own employment or in circumstances where the employer terminates on the grounds of unsatisfactory conduct and/or performance.</p> <p>Annual Cash Out: an employee must have a minimum of 500 hours' entitlement before any right to part annual cash out arises. In any year, the right for annual cash-out of leave ceases should an employee's accrued entitlement fall before 500 hours. A qualifying employee shall have the choice to either cash out part of the annual entitlement or allow accrual of the sick leave entitlement. When a qualifying employee chooses to cash out part of the annual entitlement, the maximum amount of the cash-out shall be 50% of the entitlement (76 hours, pro-rata for part-time) less the amount of leave actually taken for the year. See the EB clause for an example calculation.</p>	The termination calculation template includes the calculation of unused sick leave in line with the EB. The terminated employees tested did not have unused sick leave higher than 500 hours.	



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
AWU Enterprise Agreement No. 12 2022			
Requirement	Details	Assessment	Control Rating
	<p>The provisions apply to employees on their individual anniversary dates.</p> <p>Should the employee have a nil Sick Leave Balance resulting from a cash-out, the employee may access Sick Leave without Pay.</p> <p>The Fair Work Ombudsman (Australian Govt) <a href="https://www.fairwork.gov.au/leave/sick-and-carers-leave/paid-sick-and-carers-leave/cashing-out-sick-and-carers-leave">https://www.fairwork.gov.au/leave/sick-and-carers-leave/paid-sick-and-carers-leave/cashing-out-sick-and-carers-leave</a> States that most awards don't allow employees to cash out sick leave. However, employees covered by a registered agreement can cash out sick leave if the agreement allows it. These agreements are between an employer and employees such as an EB that is registered and approved with the Fair Work Commission. The Fair Work Ombudsman also states that sick leave (if allowed under an agreement) can only be cashed out if there is a separate agreement made in writing each time leave is cashed out and the employee has a balance of at least 15 days of untaken paid sick leave after cashing out and the employee is paid at least the full amount they would have been paid if they took the leave.</p>	<p>The EB provision that allows for a cash out of sick leave requires a retention of 500 hours, which is above the amount required by the Fair Work Ombudsman.</p>	
37 – Wage Rates	Sets out the dates for increases as per the EB.	The employees tested were being paid in accordance with the relevant EBs.	

## 8. Field Staff Award

Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Local Government Employees Award			
Requirement	Details	Assessment	Control Rating
4.2.4 Casual	<p>Loading of 25%</p> <p>Not entitled to leave</p> <p>Accrues Long Service Leave</p> <p>Penalties apply where relevant in the Award.</p> <p>Minimum engagement for 2 consecutive hours</p> <p>The maximum term (except for swimming pool attendants) of casual engagement working full-time (38-hour week) is 10 consecutive weeks.</p> <p>No maximum limit if casual employees work less than full-time hours.</p> <p>However, an employee on casual for a period of at least 12 months, either on a regular and systematic basis for several periods of employment or for an ongoing period of employment and</p>	<p>The employees tested were being paid in accordance with the relevant Award.</p>	



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Local Government Employees Award			
Requirement	Details	Assessment	Control Rating
	<p>whose employment is consistent with full-time or part-time employment (working a minimum of 10 hours per week) has the right to elect to convert to full-time or part-time employment if employment is to continue beyond the 12 month period. Employer must give notice to employee within 4 weeks of the employee attaining the qualifying period of 12 months. If an employee does not elect to convert or not to convert within 4 weeks of receiving written notice will be deemed to have elected against any conversion.</p> <p>Annual seasonal work is excluded – swimming pool employees, sale yard employees, and beach cleaning employees.</p> <p>If an employer refuses an election to convert, the reasons for doing so must be fully stated and discussed with the employee concerned and a genuine attempt to reach an agreement or go to the Dispute Settling Procedure.</p> <p>An employee can only revert to casual with a written agreement with the employer.</p>		
4.3 Termination of employment	Sets out notice for termination – EB is referred to first.	1 week notice for employees less than 1 year and 2 weeks for employees more than 1 year. Tested with no issues.	
4.3.3 Statement of Employment	The employer must provide an employee whose employment has been terminated with a written statement specifying the period of the employee’s employment and the classification or type of work performed.	This certificate is for the Centrelink Employment Separation Certificate is provided to a terminating employee upon request. One of the tested employees came under this award but did not require one.	
4.4.3 Discussions Before Termination	Describes the process before termination. EB is referred to first.	The termination process was documented and tested.	
4.4.7 Severance Pay	Sets out severance pay – EB is referred to first.	No employees were made redundant during the scope of this Internal Audit.	N/A
5.3. Allowances	Sets out the types of allowances – EB is referred to first.	Our testing found that new employees are set up for allowances correctly.	
5.4 Mixed Functions/Higher Duties	<p>Refer to EB first, if silent, then Award:</p> <p>An employee engaged for 2 hours or more on any one day on duties carrying a higher rate than their ordinary classification will be paid at the higher rate for the day. If it was less than 2 hours, then paid at the higher rate for the time worked.</p> <p>If the performance of the higher-level work becomes a normal and constant feature of the employee’s substantive position for an accumulated period of 600 hours in a 12-month period, then the employee will be reclassified to that level.</p>	This was noted during the audit visit. We sighted this in practice, the higher duties samples we tested were for full days over a distinct period of time.	





Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Local Government Employees Award			
Requirement	Details	Assessment	Control Rating
	<p>An employee acting or relieving in a position of higher grade shall be entitled to be paid at the higher level.</p> <p>Where an Employee is ME5 level or below and is predominantly engaged in the relief of regular short-term absences such as sick leave, rostered days off and annual leave, and such relief is a regular and constant feature of the employee's position for an accumulated period of 1500 hours in a 12 month period then the employee will be reclassified to that level.</p> <p>Where an employee is higher than ME5, and the work is specific and of a limited nature, the employer and the employee will agree on the overall period of acting up. Where the period is unknown, the employer and employee will review the acting-up arrangements after 4 months with a view to either confirming the classification or agreeing on the continuation of the higher duties and the time frames regarding the performance of such work.</p> <p>These arrangements will be in writing and include the period of acting up or the date of review.</p> <p>Where an employee acts in a position of a higher level for an accumulated period of 6 months within a 12-month period, approved leave taken shall be paid at the higher rate, provided the leave is taken within the period of acting up.</p>		
5.4.2 Higher Duties	<p>Refer to EB first</p> <p>An employee directed by their employer to perform duties of higher value shall be paid the minimum wage rate for the higher paid classification if they substantially perform the duties or a wage rate commensurate with the value of the duties directed to perform.</p> <p>On the first occasion for a period of 5 days or more and on any other subsequent occasion, for one working day or more to be entitled to higher duties.</p>	Employees working at higher duties were being paid at the relevant higher classification for the term specified in the agreement. We found no issues with this process.	
6.1 Hours of work	<p>Refer to EB first. Specific occupations and hours of work for the following are included in this clause.</p> <ul style="list-style-type: none"> <li>• Public convenience attendants</li> <li>• Town hall porters, caretakers, and watch persons.</li> <li>• Garbage tip work employees. Garbage collection employees</li> <li>• Swimming pool attendants</li> <li>• Council community bus drivers</li> </ul>	Our testing found that new employees and employees on changed terms were set up correctly	
6.1.3 Early Starts and Late Finishes 6.1.4 hours arrangements	Refer to EB	Our testing found that new employees and employees on changed terms were set up correctly.	
6.2 work breaks 6.3 overtime	Refer to EB first	Our testing found that new employees and employees on changed terms were set up correctly.	



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Local Government Employees Award			
Requirement	Details	Assessment	Control Rating
6.4 Weekend work in ordinary time	Sets out the loadings	Our testing found that new employees and employees on changed terms were set up correctly.	
7.1 Annual Leave & Leave Loading	Refer to EB first	Our testing found that new employees and employees on changed terms were set up correctly.	
7.2 Sick Leave	Refer to EB first Note that in the first year, the entitlement to sick leave is prorated, but for each later year of continuous service, the entitlement is awarded at the beginning of the year.	Our testing found that new employees and employees on changed terms were set up correctly.	

## 9. Legislation

Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Local Government Act 1999			
Requirement	Details	Assessment	Control Rating
S106 Periods of service to be regarded as continuous	If an employee leaves the service of a council and, within 13 weeks of having done so, enters the service of another council without having commenced other remunerated employment within that intervening period, the periods of service, for the purpose of calculating present and accruing rights to long service leave and sick leave be taken as constituting a single period of service.	This was taken into account for terminated employees' samples. No issues were found.	
	The new council is entitled to receive from the previous council a contribution of an amount for the Long Service Leave calculated in accordance with the regulations, and payment must be made within one month after receipt of a written notice requiring that payment. The previous council must supply the new council, on request, details of the service of the employer. Councils include subsidiaries.	None of the tested employees came from another council	N/A
Local Government (Financial Management) Regulations 2011			
R23(1)	The entities that are included for transfer of Long Service Leave include. <ul style="list-style-type: none"> <li>The LGA</li> <li>Landscape Board (however, this needs to be legally checked)</li> <li>A group training organisation</li> </ul>	None of the tested employees came from another council or relevant entity	N/A
R23 (3)	Sets out the calculation for the LSL, which is transferred to another council.	The termination checklist includes the transfer of LSL to a new council.	
Long Service Leave Act 1997			



Verify adherence to relevant Enterprise Bargaining Agreements, Industrial Awards, Contracts, Legislation and Council Policies.			
Local Government Act 1999			
Requirement	Details	Assessment	Control Rating
S5 Long Service Leave Entitlement	Sets out the entitlement and notes that if a worker has completed 7 years of service, they are entitled to a pro-rata payment. LSL is not paid if an employee is terminated due to serious and willful misconduct or the contract of service is unlawfully terminated by the worker.	LSL was calculated for terminated employee samples. No issues were found.	
S6 Continuity of service	Sets out what service and breaks do not break the continuity of service	This was taken into account for terminated employees' samples. No issues were found.	

### 10. Better Practice Model – Internal Controls

Have the Local Government Financial Best Practice Model controls relating to payroll and HR in relation to the scope of this audit been implemented effectively?			
The risks and controls following have been extracted from the Better Practice Model – Internal Financial Controls for South Australian Councils, June 2022. These are the risks and controls included in Section 6.2 of the Model that relate to Payroll within the scope of this audit.			
Risk	Control For this Internal Audit – consider the controls in relation to changes made to an employee, when a new employee is set up or when an employee is terminated.	Assessment	Control Rating
Payroll expense is inaccurately calculated.	Where possible, standard programmed formulae perform payroll calculations.	Payroll calculations are verified in the system and checked by the Financial Accounting Coordinator.	
	There is a process in place to ensure accurate data entry of payroll source documents.	A Maintenance Audit Report is produced that shows any changes to the Masterfile. This report is reviewed by the Financial Accounting Coordinator, and changes are checked to the source documents.	
	All calculations for generating payroll payments are verified for accuracy.	Payroll calculations are verified in the system and checked by the Financial Accounting Coordinator.	
Payroll disbursements are made to incorrect or fictitious employees	The payroll system generates audit reports detailing all payroll changes, and there is a process in place to ensure all changes are reviewed and verified against source documents.	Maintenance Audit Report is generated through the system and reviewed by the Financial Accounting Coordinator to source documentation.	
	There is a process in place to ensure employees are not added to the payroll Masterfile, nor details amended, or amounts paid without receipt of the appropriate forms which have been authorised by relevant staff.	Maintenance Audit Report is generated through the system and reviewed by the Financial Accounting Coordinator to source documentation.	
	Employee records to include employment details and/or contract terms and conditions, authorisation for payroll deductions and leave entitlements.	Tested employment records showed all required information.	
	Any non-routine payroll queries or unusual payroll transactions/request are referred to management for investigation.	A Maintenance Audit Report is produced that shows any changes to the Masterfile. This report is reviewed by the Financial	



<b>Have the Local Government Financial Best Practice Model controls relating to payroll and HR in relation to the scope of this audit been implemented effectively?</b>			
The risks and controls following have been extracted from the Better Practice Model – Internal Financial Controls for South Australian Councils, June 2022. These are the risks and controls included in Section 6.2 of the Model that relate to Payroll within the scope of this audit.			
<b>Risk</b>	<b>Control</b> <b>For this Internal Audit – consider the controls in relation to changes made to an employee, when a new employee is set up or when an employee is terminated.</b>	<b>Assessment</b>	<b>Control Rating</b>
		Accounting Coordinator, and changes are checked to the source documents.	
	There is a process to ensure employees are made inactive in payroll records upon termination.	Noted in our terminated employee testing that all samples were made inactive.	
Payroll Masterfile does not remain pertinent, and/or unauthorised changes are made to the payroll Masterfile.	The ability to access, modify or transfer information contained in the payroll master files is restricted to authorised staff.	This is restricted and an Audit Report is produced that shows all changes. This report is reviewed.	
	Managers periodically review listings of current employees within their departments, and variances are investigated.	Advised this is done by Managers. The Financial Accounting Coordinator keeps up-to-date files of all current employees titled “Payroll Master File”, which keeps up-to-date records of employees.	
Voluntary and statutory payroll deductions are inaccurately processed or without authorisation.	The listing of payroll deductions is periodically reviewed by relevant staff for accuracy, compliance with statutory requirements and ongoing pertinence with changes compared to authorised source documents to ensure that they were input accurately.	Any changes to payroll deductions are reviewed in the Maintenance Audit Report, printed fortnightly.	
	All payroll deductions must be approved by the relevant employee.	Payroll deductions are requested and approved by relevant employees.	
	Access to the payroll deduction listing is restricted to authorised staff	As per the user access listing – is restricted	
Employees' termination payments are not in accordance with statutory and enterprise agreements.	There is a process in place to ensure termination payments comply with relevant policies, procedures, and legislation.	Employees follow an offboarding process to ensure terminations are done correctly. The Payroll Officer has a Termination Pay Calculation template that they follow when calculating a termination payment.	
	There is adequate training of payroll staff to ensure they are up to date with relevant statutory and enterprise agreements.	The Payroll Officer attends Auswide Payroll & Tax Training annually.	





## Appendix 2 – Risk Framework

The City of Mount Gambier has a Risk Administration Principle. This document was issued in June 2022 and was due for review in June 2023. We note that this framework is overdue for review.

The Risk Administration Principle sets out the Council’s Risk Tolerance, Likelihood and Consequence tables for use in risk assessments as follows;

### Risk Tolerance

Risk Level	Acceptance Level	Monitoring Frequency
Low	Acceptable	Quarterly/Yearly
Medium	Acceptable	Monthly/Quarterly
High	Acceptable in Some Circumstances	Weekly/Monthly
Extreme	Unacceptable in most circumstances	Daily/Weekly

### Risk Likelihood

Rating	Potential for Risk to Occur	Likelihood Description	
		Operations	Projects/Business Case
Rare	Extremely low probability. This will only occur in exceptional circumstances.	May occur in exceptional circumstances. Could be incurred in a 5-10 year timeframe	Has not occurred in similar studies or projects. Conceivable, but in extreme circumstances
Unlikely	Low probability of an incident	Could be incurred in a 2-5 year timeframe	Known to happen but only rarely
Possible	Moderate probability of an incident	Could be incurred within a 1-2 year period	Incurred in a minority of similar studies or projects
Likely	Probably will occur	This will probably occur in most circumstances – several times a year	Could easily be incurred and has generally occurred in similar studies or projects
Almost Certain	Expected to occur in most circumstances	It is expected to occur again, immediately or within a short period – likely to occur in most circumstances.	This could be expected to occur more than once during the study or project delivery.

### Risk Area and Consequence

Risk Area	Consequence Level	Consequence Description
<b>Finance</b>	Insignificant	Financial Low – Financial Loss < \$100,000 impact on operating result
	Minor	Financial Medium – Financial Loss > \$100,000 and < \$1,000,000
	Moderate	Financial High – Financial Loss > \$1,000,000 and < \$2,500,000 or 2.5% or rate revenue
	Major	Financial Major – Financial Loss > \$2,500,000 and < \$5,000,000 or 5% of rate revenue
	Catastrophic	Financial Catastrophic – Financial Loss Exposure >\$5,000,000 or 5% of rate revenue
<b>Reputational</b>	Insignificant	Little community interest, low profile, no news items
	Minor	Low impact, some passing interest, low news profile
	Moderate	Moderate impact, moderate public interest, public embarrassment, moderate news profile
	Major	Sustained public interest, high negative news profile, Premier/Cabinet publicly involved, third party action
<b>Legal/ Regulatory/ Policy</b>	Catastrophic	Widespread public agitation, Government censure, high multiple impacts, widespread negative news profile.
	Insignificant	No noticeable statutory or regulatory impact
	Minor	Minor/temporary non-compliance with statutory requirements
	Moderate	Short-term non-compliance with moderate statutory requirements
	Major	Significant non-compliance with essential statutory requirements
	Catastrophic	Long-term or indefinite non-compliance with essential statutory requirements may result in criminal charges.



Risk Area	Consequence Level	Consequence Description
<b>Service Delivery</b>	Insignificant	Insignificant interruption to a service – no impact on customers/business
	Minor	Minor interruption to a service with minimal impact on customers/business
	Moderate	Moderate interruption to service delivery. Customer impact up to 48 hrs. Partial BCP action may be needed.
	Major	Major interruption to service delivery or production capability, customer impact > 7 days. A component of BCP action may be needed.
	Catastrophic	Major interruption to delivery of all or most services for more than 14 days. Full BCP action required
<b>People</b>	Insignificant	Insignificant interruption to operational services, short-term vacancies, natural attrition
	Minor	Minor impact on workforce, skills shortage, lack of training and development
	Moderate	Moderate impact on the workforce, inability to recruit and retain core council roles and regulatory functions, loss of knowledge, ageing workforce, potential union activities, complaints and disputes, staff engagement, workplace culture and satisfaction levels.
	Major	Major impact on workforce, lack of specialised resourcing to deliver projects and strategic plans
	Catastrophic	Catastrophic impact on the organisation, ICAC enquiry, maladministration, leading to legal implications, and serious misconduct matters that impact brand reputation.
<b>Infrastructure</b>	Insignificant	Financial Low – Financial Loss < \$100,000 impact on operating result
	Minor	Financial Medium – Financial Loss > \$100,000 and < \$1,000,000
	Moderate	Financial High – Financial Loss > \$1,000,000 and < \$2,500,000 or 2.5% or rate revenue
	Major	Financial Major – Financial Loss > \$2,500,000 and < \$5,000,000 or 5% of rate revenue
	Catastrophic	Financial Catastrophic – Financial Loss Exposure >\$5,000,000 or 5% of rate revenue
<b>Environmental</b>	Insignificant	A minor instance of environmental damage. It can be reversed immediately.
	Minor	Minor impact to the environment, e.g. on-site chemical release that can be immediately contained. This can be reversed in the short term.
	Moderate	Moderate impact on the environment. Localised damage or chemical release that has the potential to spread but can be contained or reversed with intensive efforts or outside assistance
	Major	Off-site chemical release, severe loss of environmental amenity or danger of continuing environmental damage
	Catastrophic	Toxic off-site chemical release with detrimental effect, major loss of environmental amenity or irrecoverable environmental damage.

**Risk Assessment Matrix**

	Insignificant	Minor	Moderate	Major	Catastrophic
Rare	Low	Low	Low	Moderate	High
Unlikely	Low	Low	Moderate	Moderate	High
Possible	Low	Moderate	Moderate	High	High
Likely	Moderate	Moderate	High	High	Extreme
Almost Certain	Moderate	High	High	Extreme	Extreme





**5.3 INTERNAL AUDIT - PDI ACT - POST IMPLEMENTATION AUDIT – REPORT NO. AR24/29750**

<b>Committee:</b>	<b>Audit and Risk Committee</b>
<b>Meeting Date:</b>	<b>29 July 2024</b>
<b>Report No.:</b>	<b>AR24/29750</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Kahli Rolton, Acting Manager Financial Services</b>
<b>Authoriser:</b>	<b>Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services</b>
<b>Summary:</b>	<b>This report provides a summary of the Internal Audit – PDI Act 2016 Post Implementation Audit outcomes including findings and actions as prepared by Galpins Accountants, Auditors and Business Consultants.</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People</b> <b>Goal 2: Our Location</b> <b>Goal 3: Our Diverse Economy</b> <b>Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage</b> <b>Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit and Risk Committee Report No. AR24/29750 titled 'Internal Audit - PDI Act - Post Implementation Audit' as presented on 29 July 2024 be noted.
2. That it be noted that progress achieved on the actions resulting from the Internal Audit - PDI Act - Post Implementation Audit will be reported in future internal audit updates.



## TYPE OF REPORT

Corporate

## BACKGROUND

1. **Statutes Amendment (Local Government Review) Act 2021** – Item 83 Amendment of section 125 - Internal control policies and item 84 Amendment of section 126 – Audit and Risk committee applies greater emphasis on internal audit and risk management.
2. **Local Government Act 1999 Section 125A - Internal audit functions:**
  - (1) *The chief executive officer of a council that has an internal audit function must, before appointing a person to be primarily responsible for the internal audit function, or assigning such responsibility to an employee of the council, consult with the relevant audit and risk committee on the appointment or assignment of responsibility.*
  - (2) *Despite any other law or instrument to the contrary, the person primarily responsible for the internal audit function—*
    - (a) *must ensure that any reports they prepare relating to the internal audit function are provided directly to the audit and risk committee; and*
    - (b) *may report any matters relating to the internal audit function directly to the audit and risk committee.*
3. **Local Government Act 1999 section 126(4) – Audit and risk committee:**

*The functions of a council audit and risk committee include—*

*(g)(i) if the council has an internal audit function—*

  - (A) *providing oversight of planning and scoping of the internal audit work plan; and*
  - (B) *reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;*
4. **Internal Audit Approach** - Council has historically not had an internal audit function or undertaken internal audits. An approach was agreed with Dean Newbery and Partners further to their appointment as Council's external auditor in 2021 as follows:
  - **Internal Financial Controls Self-Assessment** - The internal financial controls that had not been assessed since 2018 would be assessed in FY 2023;
  - **Internal Audit** - A risk-based approach would be undertaken to build an internal audit program starting with one internal audit in FY 2024.
5. **Audit and Risk Committee Terms of Reference** - The following section of the Audit and Risk Committee Terms of Reference (as adopted in April 2024) is relevant to this report:
  - 12.4 Internal Audit** *(where Council has a separate internal audit function) The Committee shall:*
    - 12.4.1 Monitor and Review** - *The effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.*
    - 12.4.2 Program** - *Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.*
    - 12.4.3 Reports** - *Review all reports on the Council's operations from the internal auditors.*

Aligned with **Sections 125A and 126 (4)** of the Local Government Act.



**12.4.4 Findings and Recommendations** - Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor; and

**12.4.5 Direct Access** - Provide the internal Auditor with the right of direct access to the Mayor of the Council and to the Presiding Member of the Committee.

6. **Internal Audit Plan** - Was reviewed at the November 2023 Audit and Risk Committee meeting and adopted at the December 2023 Council meeting. The scope of the program included an Internal Audit of the PDI Act 2016 – Post Implementation Audit to review processes and organisational compliance.
7. **Quarterly Internal Audit Update Report** - Was presented to the Audit and Risk Committee for the first time at the January 2024 meeting including the following:
  - **RFQ Process** - A select Request for Quote (RFQ) process was undertaken in December 2023 and January 2024 where two external providers were provided with a copy of the Internal Audit Plan that was adopted in December 2023. Both external providers provided submissions that were reviewed by the Manager Financial Services with a recommendation provided to the General Manager.
8. **External Provider Engagement** – Galpins was the external provider appointed to undertake the internal audit.

## PROPOSAL

1. **Audit Scope** - The audit focuses on reviewing Council's legislative compliance in relation to development assessment processes pursuant to the Planning, Development and Infrastructure Act 2016 as well as providing assurance on the supporting frameworks in place such as delegations, authorisations, policies, procedures and plans. A detailed scope is provided at appendix 1 of Attachment 1 to this report.
2. **Scope Exclusions** - Comprehensive review of Council's implementation of the ePlanning system per a larger 'service review' engagement. The audit review considers workflows and procedures from a high-level and with a consideration of risk.
3. **Methodology** - The following methodology was used to complete the internal audit review:
  - **Interviews** – key stakeholders and team members
  - **Documentation** – review of key policies and procedures
  - **Testing** – select testing of delegations, authorisations, enforcement and compliance actions
  - **Management Response** – consideration of management responses to draft report
4. **Sample Size** - the audit assessed compliance with verification and assessment timeframes, required approvals and transparency of decision making for a sample of seven development applications submitted through the ePlanning portal. For context, the Manager Development Services provided statistics of 400 development applications lodged for FY2022/2023 and 420 in FY2021/2022.

In respect to the sample size of the audit of Development Applications it is highlighted the Accreditation Authority of the State Government also undertakes Periodic Desktop Compliance Audits in respect to development assessment and decision making.
5. **Timing** - The internal audit took place in April 2024.
6. **Management of Internal Audit** - The internal audit was undertaken by the external provider. This report is brought to the Audit and Risk Committee by the Acting Manager Financial Services to detail the findings and recommendations.



**7. Report Observations** - As per Attachment 1 to this report, the following good practices were observed:

- **Strong Level of Compliance** - with development application verification and assessment timeframes, required approvals and transparency of decision making.
- **Strong Level of Accreditation** - appropriate accreditation and training in place for the team.
- **Processes** – Consistent with legislation, demonstrated knowledge and operations in accordance with the Planning and Design Code, Practice Direction and other PlanSA guidance.

**8. Key Findings and Recommendations** - The internal audit concluded that the control environment is **majority effective** to address Council’s strategic risk *‘Non compliance with legislation requirements can result in legal implications and inability to deliver on decision-making and critical council services’*. 16 Recommendations were provided by Galpins.

- **Consistency** – found in relation to processes and timeframes with the requirements of the Act for Class 1 and 10 buildings.
- **Non-Compliance** – failure to meet mandatory inspection targets for class 2-9 (commercial) buildings.
- **Resourcing pressures** – greatest risk exposure in achieving PDI Act compliance appears to be due to resourcing pressure.
- **Opportunities for Improvement** – increasing current low levels of enforcement and compliance action, and conducting proactive inspections.

Finding	Recommendation (short form)	Audit Risk Rating	CoMG Risk Rating	Expected Completion Date
2.1 Opportunity to clarify short to medium-term intention for code amendments	<p><b>Recommendation 1:</b> Consider and confirm the Council’s short-term intent in relation to city planning and the use of code amendments.</p> <p><b>Recommendation 2:</b> Review whether the Planning Team have sufficient capacity and resources to lead Council-initiated code amendments, and/or respond to externally driven code amendments.</p>	Moderate	Moderate	
2.2 Capacity	<p><b>Recommendation 3:</b> Prioritising human resourcing for the Planning Team.</p> <p><b>Recommendation 4:</b> Consider ways to reduce the workload associated with lower-level customer requests on the Development Services team.</p>	High	High	
2.3 Key stakeholder relationship management and communications	<p><b>Recommendation 5:</b> Re-introduce regular, recurrent scheduled meetings between Development Services and Operations &amp; Engineering teams and other stakeholders.</p> <p><b>Recommendation 6:</b> Conduct a mapping exercise to document/confirm roles and responsibilities between the Development Services and City Infrastructure teams.</p> <p><b>Recommendation 7:</b> Consider how CoMG could influence planning and development activity by more proactively engaging with external stakeholders at the pre-planning stage, where applicable.</p>	Moderate	Moderate	
2.4 Development enforcement and compliance actions	<p><b>Recommendation 8:</b> Increase capacity to perform important higher-risk compliance and enforcement actions.</p> <p><b>Recommendation 9:</b> Consider engaging external consultants to assist with backlogs in class 2-9 building inspections.</p>	Moderate	Moderate	



Finding	Recommendation (short form)	Audit Risk Rating	CoMG Risk Rating	Expected Completion Date
2.5 Delegations – opportunity to formalise acknowledgement re the PDI Act	<p><b>Recommendation 10:</b> Ensure that Council’s latest/updated published Delegations Register as available on the public website.</p> <p><b>Recommendation 11:</b> Work to ensure that members of the Limestone Coast Southern Regional Assessment Panel have clarity around responsibility for maintaining/updating relevant delegations.</p> <p><b>Recommendation 12:</b> Develop a pragmatic approach to periodically confirming that Development Services officers’ delegations are up to date, correct and that officers have signed acceptance of these delegations.</p>	Low	Low	
2.6 Governance mechanisms are in place, there is opportunity for proactive fire inspections to occur	<p><b>Recommendation 13:</b> The BFSC consider developing a proactive approach to inspecting higher-risk buildings.</p>	Low	Low	
2.7 Complaints management	<p><b>Recommendation 14:</b> Review and update CoMG’s complaint handling policy with respect to PDI Act obligations.</p> <p><b>Recommendation 15:</b> Consider monitoring trends of community feedback/complaints to assist continuous improvement.</p>	Low	Low	
2.8 A need to review and update policies	<p><b>Recommendation 16:</b> Reconsider the need to continue maintaining the Land Division and Building and Swimming Pool Inspection policies, and either revoke them or update them to ensure consistency with legislation.</p>	Low	Low	

9. **Detailed Assessment** - full details of findings and recommendations are provided in Attachment 1 to this report.
10. **Internal Auditor Attendance** - Galpins have been invited to attend the Audit and Risk Committee meeting to answer questions from committee members.
11. **Next Steps** - The progress against the actions arising from this internal audit will be reported back to the Audit and Risk Committee as part of the following:
  - **Quarterly Internal Audit Reporting** – Included in the quarterly report to the audit and Risk Committee and Council.
  - **Annual Report** - Aligned with Section 99 of the Local Government Act the CEO is:
    - (ib) *to report annually to the relevant audit and risk committee on the council's internal audit processes; quarterly reporting and will be included in the annual report*

**LEGAL IMPLICATIONS**

Local Government Act 1999, as specified above, including the application and adherence to the legislative requirements of the Planning, Development and Infrastructure Act 2016.

**STRATEGIC PLAN**

N/A

**COUNCIL POLICY**

[Internal Audit Policy](#)

[Internal Controls Policy](#)

[Risk Management Policy](#)

**ECONOMIC IMPLICATIONS**

N/A

**ENVIRONMENTAL IMPLICATIONS**

N/A

**SOCIAL IMPLICATIONS**

N/A

**CULTURAL IMPLICATIONS**

N/A



## RESOURCE IMPLICATIONS

**Budget Allocation** - The Internal Audit Plan 2024-2026 was created to be conducted within the current available budget. \$20k has been included in the 2023/2024 budget for two internal audits. This audit is aligned with the overall budget.

**Human Resourcing** - Recommendations 2, 3 and 4 from the internal audit refer to the need to prioritise human resourcing for the Planning Team in relation to capacity to deliver and respond to requests.

## VALUE FOR MONEY

N/A

## RISK IMPLICATIONS

Strategic Risk - Governance, Compliance and Legislative Obligations. This audit specifically addresses 'Non-Compliance with legislation requirements can result in legal implications and inability to deliver on decision-making and critical services'.

Improved internal audit processes is in keeping with the Audit and Risk responsibilities and legislation and will result in improved risk management processes.

## EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

## ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

## IMPLEMENTATION STRATEGY

The findings and recommendations have been discussed with actions agreed with dates for completion. The actions will be implemented with reporting brought to the Audit and Risk Committee quarterly.

## CONCLUSION AND RECOMMENDATION

It is recommended that the attached PDI Act 2016 - Post Implementation Internal Audit Report, prepared by Galpins, Accountants, Auditors and Business Consultants, as presented is noted by Council. Progress against actions arising from this audit will be presented against future internal audit updates.

## ATTACHMENTS

1. Internal Audit - PDI Act - Post Implementation Audit Report [↓](#)







# Galpins

Accountants, Auditors & Business Consultants

## City of Mount Gambier

Internal Audit Report – PDI Act 2016 - Post Implementation Audit

April 2024





Table of contents

1. Executive Summary..... 3

1.1 Background ..... 3

1.2 Objectives..... 3

1.3 Relevant Strategic Risks ..... 3

1.4 Good Practices Observed ..... 3

1.5 Glossary..... 4

1.6 Key Findings and Recommendations ..... 6

2. Detailed Findings and Recommendations ..... 9

2.1 Opportunity to clarify short to medium-term intention for code amendments ..... 9

2.2 Capacity..... 12

2.3 Key stakeholder relationship management and communications ..... 17

2.4 Development enforcement and compliance actions..... 22

2.5 Delegations – opportunity to formalise acknowledgement re the PDI Act ..... 26

2.6 Governance mechanisms are in place, there is opportunity for proactive fire inspections to occur 29

2.7 Complaints management ..... 32

2.8 Policies – minor updates to be considered ..... 35

Appendix 1. Scope of the audit engagement..... 38

Appendix 2. Overall Control Environment Conclusion Rating Definitions ..... 40

Appendix 3. Council Risk Framework ..... 41

Appendix 4. Code Amendment Process ..... 45

Appendix 5. Sample testing results – Development Application verification and assessment .... 46

Appendix 6. Assessment of CoMG’s accreditation under the PDI Act ..... 47

Appendix 7. Documents reviewed ..... 48

Appendix 8. Staff members interviewed ..... 49

Disclaimers ..... 50

About us ..... 51

PDI Act 2016 - Post Implementation Audit  
 Liability limited by a scheme approved under Professional Standards Legislation 1





City of Mount Gambier

Document Control

Date	Revision Number	Revision Details	Author	Reviewer
22.04.2024	v1.0	Final Draft Report	Tim Muhlhausler/ Janna Burnham	Tim Muhlhausler/ Janna Burnham
26.04.2024	V2.0	Final draft report – minor clarifications	Janna Burnham	n/a
07.05.2024	V1.0	Final report	Janna Burnham (Partner)	n/a
19.7.24	V2.0	Minor wording change	Janna Burnham	n/a

Entry meeting	19.03.2024
Onsite fieldwork commenced and completed	19.03.2024 – 20.03.24
Draft report issued	22.04.2024
Exit meeting	07.05.2024
Final report issued	07.05.24
Management comments received	13.6.24
Updated final report	19.7.24



## 1. Executive Summary

### 1.1 Background

South Australia transitioned to a new planning system in March 2021. This new system is fully electronic, providing online development assessment and processing via a web based ePlanning platform, accessed via PlanSA.

The new ePlanning system applies to the whole of South Australia. The ePlanning platform brings together the PlanSA portal, the on line Planning and Design Code, the South Australian Property and Planning Atlas and the electronic Development Application processing system.

The new planning system was developed to implement the requirements specified within the *Planning, Development and Infrastructure Act 2016* (PDI Act) and relevant regulations.

### 1.2 Objectives

This audit reviewed the legislative compliance of Council's development assessment processes and aimed to provide assurance on the supporting frameworks in place such as delegations, authorisations, policies, procedures and plans.

The full and final audit scope is included in Appendix 1.

### 1.3 Relevant Strategic Risks

This audit aligns with Council's strategic risk '*Non compliance with legislation requirements can result in legal implications and inability to deliver on decision-making and critical council services*'.

### 1.4 Good Practices Observed

- ✓ Audit reviewed compliance with development application verification and assessment timeframes, required approvals, and transparency of decision making and found a strong level of compliance. Due to this strong result, verification and assessment compliance is not further discussed in the report, however results are summarised in **Appendix 5**.
- ✓ Audit assessed whether CoMG have appropriate accreditation and training in place for the team and found a strong level of accreditation. The council is fortunate to have these professionals in a competitive labour market, where there is a recognised shortage of skills. Due to this strong result, training is not further discussed in the report, however results are summarised in **Appendix 6**.
- ✓ Processes in place were found to be consistent with legislation, with council staff demonstrating knowledge and operations in accordance with the Planning and Design Code, Practice Directions and other PlanSA guidance.<sup>1</sup>

<sup>1</sup> Note - Audit reviewed processes and evidence of appropriate consideration of requirements, however did not specifically test for adherence with technical compliance.





## 1.5 Glossary

The table below lists key abbreviations/terms used within this report and summarises details of these.

Term	Detail
Accredited professional	Persons holding accreditation to undertake assessment functions prescribed by regulation.
Assessment Manager	A role created in the Act, regularising the current practice of delegations made to council and planning staff.  The person holding this role is an accredited professional appointed by the Chief Executive Officer.
Assessment pathways	Framework for assessments set out in the Act and include 'Deemed-to-satisfy' and 'Performance assessed' (see below).
Building consent	Assessment of a development application against the building rules. A building consent is applicable to development where building work is involved, unless exempted by the Regulations.
Building Fire Safety Committee (BFSC)	A Committee required under the Planning, Development and Infrastructure Act 2016 to take on the role of investigating buildings' fire safety levels, ensuring they are maintained and operational.
Building Officer	CoMG staff who are responsible for assessing building applications.
'the Code'	The Planning and Design Code lists the defined land uses and is the first point of reference in determining the nature of development and the applicable assessment pathway.  The State Planning Commission is responsible for preparing and maintaining the Code. The Commission consults with council and other bodies when amending the Code. Councils can initiate amendments to the Code with the agreement of the Minister acting on the advice of the Commission.  Also referred to as 'P&D Code'.
Code Amendments	A proposal initiated by the State, private entities or a council to change the policies, rules, or mapping within the existing Code.
Deemed-to-satisfy	Simple development applications that are assessed by an accredited professional or assessment manager and must be granted if compliant with the relevant criteria. Typically, these development applications do not require any notification or agency referral.
Development application	An application for development approval and maybe either: <ul style="list-style-type: none"> <li>▪ a planning consent development application (which may include a land division certificate), or</li> <li>▪ a building consent application.</li> </ul>







City of Mount Gambier

Term	Detail
P&D Code	Refer to 'the Code'.
PDI Act (the Act)	The Planning, Development and Infrastructure Act 2016 (SA).
Performance Assessed	Development application that is assessed on its merits by an assessment manager or assessment panel.
Planning Consent	Assessment of a development application (including land division) for compliance with the planning rules. These development applications may require notification and agency referral to complete an approval.
Planning Officer	CoMG staff who are responsible for assessing planning applications.
Portal	Refers to PlanSA's ePlanning system.
RAP	Limestone Coast Southern Regional Assessment Panel.







## 1.6 Key Findings and Recommendations

This internal audit assessed the controls established to address council's strategic risk '*Non compliance with legislation requirements can result in legal implications and inability to deliver on decision-making and critical council services*' in relation to the PDI Act 2016. Based on the work undertaken, and when considering the design and/or effectiveness of controls collectively, we conclude that the control environment is **majority effective**.<sup>2</sup>

Positively, based on the results of our walkthroughs and sample testing, the processes in place for planning, development and building assessments and inspections were found to be consistent with the requirements of the Act. Council have a professional team that demonstrated working hard to fulfil their role. Legislated processing timeframes for processing development applications and targets for inspecting Class 1 and 10 buildings are consistently met.

Audit also identified some non-compliance with legislation and opportunities for improvement. In particular, testing demonstrated failure to meet mandatory inspection targets for Class 2-9 (commercial) buildings.

Audit also analysed the capacity of the Development Services team and observed that Council's greatest risk exposure in achieving PDI Act compliance appears to be due to resourcing pressure. CoMG are fortunate to have a highly accredited in-house team of professionals in a competitive labour market, where there is a recognised shortage of skills. Analysis identified reduced resourcing and increased demand for the team over time.

Identified opportunities for improvement (and potential symptoms of resourcing) are around increasing current low levels of enforcement and compliance action, and conducting proactive inspections – for example around fire safety. Audit considers that resourcing pressure is linked to the risks of increased stress levels, higher incidence of errors, decreased team morale, potential staff turnover and difficulty meeting service requirements.

Since the introduction of the PDI Act, there have been no code amendments within the Council area. This is understandable, as staff reported a plan to wait until the SA Government's overarching *Limestone Coast Regional Plan* has been finalised before pursuing amendments. Audit found that the Plan has been delayed, however the need for code amendments is nearing – for example in relation to affordable housing. There is opportunity for council to consider and confirm its short to medium-term intent in this space. These projects require significant effort.

Other opportunities identified include strengthening communications between internal stakeholders, improving clarity around monitoring and tracking customer feedback and complaints, the BFSC developing a proactive approach to inspecting higher-risk buildings, and the potential to develop information guidelines that are used by the public and developers and assist in ensuring that developments align with CoMG's character and community preferences.

Findings and recommendations are summarised over page.

Galpins would like to thank the team at City of Mt Gambier for their help and input into this audit.

---

<sup>2</sup> Please refer to **Appendix 2**, Overall Control Effectiveness Ratings for further information.





City of Mount Gambier

Finding	Recommendation (short form)	Audit Risk Rating	CoMG Risk Rating	Expected Completion Date
2.1 Opportunity to clarify short to medium-term intention for code amendments	<b>Recommendation 1:</b> Consider and confirm the Council’s short-term intent in relation to city planning and the use of code amendments.	Moderate	Moderate	Q1 2025
	<b>Recommendation 2:</b> Review whether the Planning Team have sufficient capacity and resources to lead Council-initiated code amendments, and/or respond to externally driven code amendments.			July 2025
2.2 Capacity	<b>Recommendation 3:</b> Prioritising human resourcing for the Planning Team.	High	High	July 2024
	<b>Recommendation 4:</b> Consider ways to reduce the workload associated with lower-level customer requests on the Development Services team.			Sept 2024
2.3 Key stakeholder relationship management and communications	<b>Recommendation 5:</b> Re-introduce regular, recurrent scheduled meetings between Development Services and Operations & Engineering teams and other stakeholders.	Moderate	Moderate	ASAP – July 2024
	<b>Recommendation 6:</b> Conduct a mapping exercise to document/confirm roles and responsibilities between the Development Services and City Infrastructure teams.			December 24
	<b>Recommendation 7:</b> Consider how CoMG could influence planning and development activity by more proactively engaging with external stakeholders at the pre-planning stage, where applicable.			December 2024
2.4 Development enforcement and compliance actions	<b>Recommendation 8:</b> Increase capacity to perform important higher-risk compliance and enforcement actions.	Moderate	Moderate	June 2025
	<b>Recommendation 9:</b> Consider engaging external consultants to assist with backlogs in class 2-9 building inspections.			TBA





City of Mount Gambier

Finding	Recommendation (short form)	Audit Risk Rating	CoMG Risk Rating	Expected Completion Date
<b>2.5 Delegations – opportunity to formalise acknowledgement re the PDI Act</b>	<p><b>Recommendation 10:</b> Ensure that Council’s latest/updated published Delegations Register as available on the public website.</p> <p><b>Recommendation 11:</b> Work to ensure that members of the Limestone Coast Southern Regional Assessment Panel have clarity around responsibility for maintaining/updating relevant delegations.</p> <p><b>Recommendation 12:</b> Develop a pragmatic approach to periodically confirming that Development Services officers’ delegations are up to date, correct and that officers have signed acceptance of these delegations.</p>	Low	Low	Complete ASAP July 2024 August 2024
<b>2.6 Governance mechanisms are in place, there is opportunity for proactive fire inspections to occur</b>	<b>Recommendation 13:</b> The BFSC consider developing a proactive approach to inspecting higher-risk buildings.	Low	Low	Dec 2024
<b>2.7 Complaints management</b>	<p><b>Recommendation 14:</b> Review and update CoMG’s complaint handling policy with respect to PDI Act obligations.</p> <p><b>Recommendation 15:</b> Consider monitoring trends of community feedback/complaints to assist continuous improvement.</p>	Low	Low	August 2024 December 2024
<b>2.8 A need to review and update policies</b>	<b>Recommendation 16:</b> Reconsider the need to continue maintaining the Land Division and Building and Swimming Pool Inspection policies, and either revoke them or update them to ensure consistency with legislation.	Low	Low	Sept 2024





## 2. Detailed Findings and Recommendations

<b>2.1 Opportunity to clarify short to medium-term intention for code amendments</b>	Audit Risk Rating	CoMG Risk Rating
	Moderate	Moderate

### Key Findings

- Council has not proposed any code amendments since introduction of the PDI Act, and has been waiting for release of the *Limestone Coast Regional Plan* to inform any new amendments. Given that this Plan has been delayed, and the time since introduction of the Act, there is opportunity to confirm/consider Council’s short-term intent around code amendments.

### Discussion

The audit scope called for assurance on the supporting framework(s) in place to support Council’s development assessment processes. When considering this element, it was important to obtain an overall understanding of the **strategic direction** of planning within the CoMG.

Under the PDI Act, Planning and Design Code amendments can be initiated by the State, private entities or a council. A code amendment is a proposal to change the policies, rules, or mapping within the existing Code. For example, to designate zones for specific purposes or to change the previous zoning of land, such as from rural to residential. Under the Act, CoMG has less control over reforms than previously, however there is still capacity to be proactive in driving reforms via Council-initiated code amendments.

Staff reported that there have been no code amendments within the council boundary since the introduction of the PDI Act, and that any Council-initiated work is on hold pending finalisation of the updated *Limestone Coast Regional Plan* (an SA Government initiative).<sup>3</sup> This Plan is expected to give strategic guidance about code amendments that are required, however it is currently overdue.

Two interviewees indicated a desire for updated guidance and clarification within CoMG around:

- direction for zoning, for example to meet pressing housing shortage needs and to provide space for new housing development in a structured way
- master planning / expectations for developers within the council area (further discussed in **Section 2.3**).

Council is obliged to consider community expectations around land use when considering code amendments, and can proactively target code amendments that will facilitate growth in keeping with the desired look and feel of the City. See **Recommendation 1**.

### Risk Exposure

- Council does not meet community expectations around proactively driving and influencing planning reform under the PDI Act.

<sup>3</sup> Summary information available at: [https://www.plan.sa.gov.au/data/assets/pdf\\_file/0003/1138638/Fact-Sheet-Limestone-Coast-Regional-Plan-Preparation.pdf](https://www.plan.sa.gov.au/data/assets/pdf_file/0003/1138638/Fact-Sheet-Limestone-Coast-Regional-Plan-Preparation.pdf).







City of Mount Gambier

- Privately-initiated code amendments occur in a haphazard manner before Council commences proactive code amendments, meaning that developments/buildings are allowed in areas considered undesirable by Council and the community.

<b>Recommendation 1</b>	<p>Consider and confirm the Council’s short-term intent in relation to city planning and the use of code amendments, for example whether Council intends to:</p> <ul style="list-style-type: none"> <li>wait for the finalisation of the Limestone Coast Regional Plan before commencing code amendment work</li> <li>commence proactive council-specific planning for code amendments targeted at areas of highest need/demand.</li> </ul> <p><i>The aim of this recommendation is to facilitate an updated discussion about Council’s intent in relation to planning. Any Council-specific code amendments will require resources. (see Recommendation 2)</i></p>
<b>Agreed Actions</b>	Council intends to wait for the finalisation of the Limestone Coast Regional Plan before commencing code amendment work.
<b>Action Officer</b>	Manager Development Services
<b>Completion Date</b>	First quarter of 2025 – Noting Council’s Budgetary Restraints – No Budget allocation for the 2024/2025 financial year

**Resourcing Code Amendments**

Internal Audit note that code amendments are resource-intensive, both for Council-initiated or privately-initiated amendments.<sup>4</sup> The process is highly legislated and is summarised below.

High-level summary: code amendment process



<sup>4</sup> Council staff are still required to be involved in responding and liaising re privately-initiated amendments.





A more detailed summary is in **Appendix 4**.

The Development Services Team flagged the intention to make a budget bid for the 2025/26 budget for Council to consider, and also the intention to conduct preparation work goes around Code amendments in the 2024/25 year without a budget allocation.

If, in response to Recommendation 1 above, there is a decision for CoMG to proactively drive and influence planning reform under the PDI Act, there is scope to review the capacity of the Development Services team to ensure they are able to pursue policy reform in line with the community's expectations. This review can also consider capacity to respond to any privately-initiated code amendments.

**Risk Exposure**

- Council's Planning team may be insufficiently resourced to either proactively or reactively participate in code amendments, meaning that planning and developments may not occur in a proactive way that is aligned to Council's and the community's expectations.

<b>Recommendation 2</b>	Review whether the Planning Team have sufficient capacity and resources to: <ul style="list-style-type: none"> <li>▪ lead Council-initiated code amendments, and/or</li> <li>▪ respond to externally driven code amendments.</li> </ul> <p><i>Note – even in the event that Council decide not to drive proactive code amendments in the short term, there is a need to be aware of resource implications associated with any potential privately-initiated code amendments.</i></p>
<b>Agreed Actions</b>	Service reviews and workforce planning project will commence in first quarter of 2024-25. Summary findings will be presented to the Audit and Risk Committee upon completion.
<b>Action Officer</b>	General Manager Corporate and Regulatory Services Manager Organisational Development
<b>Completion Date</b>	July 2025







City of Mount Gambier

<b>2.2 Capacity</b>	Audit Risk Rating	CoMG Risk Rating
	High	High

**Key Findings**

- The Planning and Building officers work hard to meet legislative standards. In addition, Audit observed a lack of capacity for them to complete work beyond the base minimum. These observations appear to be supported by trends observed in data.

**Discussion**

The scope called for a review of the adequacy of Council's processes to align to the new planning regime. Audit held discussions with staff, reviewed relevant Council policies and performed walkthroughs and sample testing of processes as documented in the PlanSA Portal. The results of this testing was positive, demonstrating alignment between CoMG policies and processes and the requirements of the Act. The timeliness of CoMG's processing of development applications is also summarised in **Appendix 5**.

Internal Audit noted delays in some building inspections,<sup>5</sup> a backlog of mandatory commercial building inspections, absence of proactive fire safety inspections (**discussed in Section 2.6**), and inability to perform proactive compliance work or value add and strategic tasks. These appear to be due to resource constraints.

The Planning Team reported growing demand. Whilst statutory assessment timeframes are being met, this is achieved thanks to the Planning Officer's efficiency in processing what appears to be an above average number of applications compared to other councils (keeping in mind the inherent limitations on comparing such metrics, as discussed below) and leaves limited time for addressing customer queries or other value-add activities.

Whilst the workload of the team has reportedly always been high, staffing levels have declined in recent years and the team reported loss of access to dedicated administrative support, in conjunction with growth in workload and legislative compliance obligations. Potential future plans for council to initiate code amendments, pending finalisation of the updated *Limestone Coast Regional Plan*, will likely add considerable additional workload even if council are assisted by external consultants.

To validate these anecdotal observations, Audit has attempted to review trends in data and to compare resourcing with other councils. Whilst indicative, this analysis is flawed due to the changes in the planning system under the new scheme making prior year comparisons less meaningful, and volume comparisons with other councils challenging due to the differences in not only volume, but also nature and complexity of applications. However, the data is indicative and supports the anecdotal observations of a lean workforce and increasing workloads.

The current staff present as overextended, which can lead to increased stress levels, higher risk of errors, and decreased overall team morale. This situation may result in higher staff turnover, further exacerbating the staffing shortfall. **See Recommendation 4**.

<sup>5</sup> Statutory targets for class 2-9 building inspections are not being met, exposing Council to potential reputational and legal risks and penalties. **See Section 2.4 for further discussion.**





Changes in development activity over time

Staff reported a noticeable increase in development in recent years, particularly post-Covid, a trend that has been experienced across the SA local government sector. Audit reviewed activity data from 2015 (prior to 2018 staffing reductions – discussed below) to March 2024. Whilst not quite an ‘apples for apples’ comparison,<sup>6</sup> the numbers are indicative, demonstrating an increase in the average number and value of applications / approvals being processed each month over time.

**Development Services activity over time**

	Year	No. Approvals / Applications	Value of Approved Development \$ '000	Months of Data	Ave No. Approvals / Applications per Month	Ave Monthly Value of Approved Development \$ '000
<b>Building Approvals</b>	2015	409	\$ 32,853	12	34	\$ 2,738
	2016	399	\$ 35,963	12	33	\$ 2,997
	2017	401	\$ 45,474	12	33	\$ 3,790
	2018	365	\$ 38,410	12	30	\$ 3,201
	2019	330	\$ 55,592	12	27	\$ 4,633
	2020	494	\$ 118,598	12	41	\$ 9,883
	2021	472	\$ 174,272	12	39	\$ 14,523
<b>Development Applications</b>	2022	497	\$ 53,790	12	41	\$ 4,483
	2023	624	\$ 50,718	12	52	\$ 4,227
	2024	199	\$ 13,538	3	66	\$ 4,513

Changes in staffing levels

The following table provides an approximate timeline of staffing changes (by FTE) for the Development Services team since 2017:

**Indicative staffing**

	2017		2018		2019		2020		2021		2022		2023		2024
	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	
Manager	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
<b>Planning</b>															
Senior Planning Officer	1	1	1	1	1	1	0	0	0	0	1	1	1	1	1
Planning Officer	1	1	1	1	1	1	1	0.2	0	0	0	0	0	0	0
<b>Building</b>															
Building Officer	2	2	1	1	2	2	2	2	2	2	2	2	2	2	2
Trainee Building Officer	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total FTE</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>3.2</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

<sup>6</sup> Prior to the new system going ‘live’ in March 2021, development activity levels have been estimated based on the number of building approvals. Post go-live, development activity levels have been estimated based on the number of development applications.





The table above shows a reduction in staffing for Planning, 2 to 1 FTE. During times that positions remained vacant, the Manager Development Services absorbs the additional workload. The current Senior Planner commenced in August 2022.

Two Environmental Health Officers (EHOs) have also left and these positions remaining unfilled, Council have recently negotiated for Wattle Range Council's EHO to assist at CoMG one day per fortnight. The Manager Development Services is also absorbing some of these duties.

Council is currently working through the recruitment process to recruit a Para Planner through an initiative with the Department of Planning and the Local Government Association.

Applications per Planning Officer comparison

Audit also analysed the number of development applications per Planning Officer during the period 01/01/2023 to 01/01/2024 for five councils – CoMG + four medium sized metro councils (names excluded for confidentiality reasons).

Application numbers have been obtained from the Plan SA Development Application Register, with staffing numbers obtained from discussions with the respective councils.

It is difficult to directly compare staff resources between different councils, as there are many factors which impact the appropriate staffing levels including experience of staff, nature and complexity of applications being assessed, and the extent of use of external support. However, the following comparisons are indicative and support anecdotal observations and staff sentiment that resourcing at CoMG is lean.

	No. of Development Applications			FTE Planning Officers	Applications Per FTE	Comments
	Under Assessment	Decision Made	Total			
<b>City of Mt Gambier</b>	51	329	<b>380</b>	1	<b>380</b>	No use of consultants to assist with work loads. Manager backfills when Planning Officer has leave.
<b>Council 2</b>	216	586	<b>802</b>	5	<b>160</b>	2 dedicated Development Admin staff, including 1 Development Administration Trainee.
<b>Council 3</b>	278	999	<b>1277</b>	6.5	<b>196</b>	High volume of 'Accepted Development' - only building consent is required, no planning consent is needed. Utilise consultants to assist with capacity. Business Support Team (admin) overseen by Team Leader Planning. Aim to add an additional Planner and admin support to assist with workloads.
<b>Council 4</b>	195	519	<b>714</b>	4	<b>178</b>	FTE includes 1 Cadet Planning Officer. Customer Liaison (admin function) overseen by Team Leader Planning, 0.8 FTE admin support.
<b>Council 5</b>	193	688	<b>881</b>	2	<b>440</b>	High workload has been challenging, have used many consultants to assist with high volume of applications. Utilise 3 FTE Development Technicians (admin support) to assist with work loads, reporting to Team Leader Planning.

Administrative support

Prior to 2018, the Development Services team reported a dedicated administrative resource for the team, with a direct phone number for enquires. Post 2018, this resource was replaced with a 1.8 FTE allocation of admin support from the Customer Service Team, who sit at the main reception with a

PDI Act 2016 - Post Implementation Audit

Liability limited by a scheme approved under Professional Standards Legislation

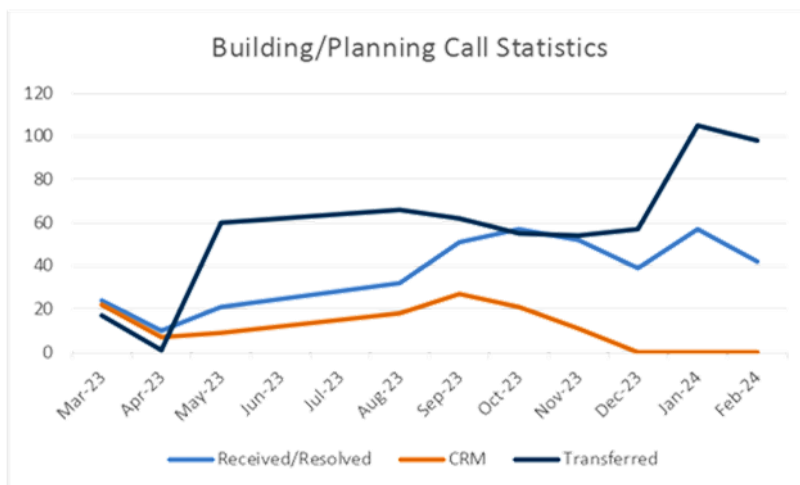




City of Mount Gambier

general phone line into Council and manage Council-wide enquiries. Staff reported a noticeable decline in the level of assistance able to be provided by admin support staff, for example in answering development-specific customer queries, with a resultant increase in the workload of professional planning staff.

Analysis of planning/building call requests, and the number of times calls are transferred or a phone message taken by the Customer Service Team demonstrates the upward trend in calls received by council and also transferred to Development Services:<sup>7</sup>



CRM = customer request raised in the 'Customer Request Module' of the system – for Development Services to specifically address.

Audit consider that the above chart indicates increased customer interaction for the Development Services Team. **See Recommendation 4.**

**Risk Exposure**

- Insufficient human resource capacity resulting in increased stress levels, higher risk of errors, and decreased overall team morale impacting service delivery.
- Increased risk of statutory timeframes under the PDI Act not being met.
- Insufficient capacity to appropriately initiate and/or respond to code amendments, leading to sub-optimal development within the council area.

<b>Recommendation 3</b>	<p>Council prioritise recruitment of additional human resourcing for the Planning Team, for example via the existing plans for appointment of a Para Planner through the initiative with the Department of Planning and the Local Government Association.</p> <p><i>Note: CoMG's current Planning Officer is a highly experienced Level 1 Planner, who is currently assessing simple applications and performing other duties that could be performed by a more junior staff member or admin resource (see also Recommendation 4). As such, additional</i></p>
-------------------------	--

<sup>7</sup> Data as provided, figures not available for June/July 2023 and demonstrated above as a static line.







City of Mount Gambier

	<i>resourcing does not need to be at a senior level to have a meaningful impact on capacity.</i>
<b>Agreed Actions</b>	Addressing via para planner / additional administration support.
<b>Action Officer</b>	Manager Development Services General Manager Corporate and Regulatory Services
<b>Completion Date</b>	July 2024

<b>Recommendation 4</b>	<p>Consider ways to reduce the workload associated with lower-level customer requests on the Development Services team. Options may include:</p> <ul style="list-style-type: none"> <li>▪ Assigning a dedicated admin resource to assist the team, providing them training and assigning responsibility for lower-level tasks otherwise being performed by Planning Officers such as customer service provision. This role may also for example check that expected information is lodged with applications (with consideration given to Schedule 8 requirements for plans and information) and data reporting.</li> <li>▪ More specifically training existing Customer Service Team members about how to resolve lower-level planning and building-related queries, with a targeted reduction in call transfers.</li> <li>▪ Developing reference material for the Customer Service Team to use, for example FAQs or a knowledge library that supports them to provide accurate information to customers. This may also be included on the Council website.</li> </ul> <p><i>Note – the above are options only, the intent is to proactively identify a way to reduce administrative burden on professional planning/building officers. This would be subject to cost/benefit considerations.</i></p>
<b>Agreed Actions</b>	Para Planner commenced June 2024, Admin assistance currently being finalised, Para planner will commence work on FAQ's in conjunction with other officers in August 2024
<b>Action Officer</b>	Manager Development Services Manager Organisational Development
<b>Completion Date</b>	September 2024





<b>2.3 Key stakeholder relationship management and communications</b>	Audit Risk Rating	CoMG Risk Rating
	Moderate	Moderate

Key Findings

- There is opportunity to strengthen communication and the clarity of roles/responsibilities between Development Services and the Operations & Engineering teams in particular—with scope to document the role of key internal stakeholders and agreed workflows for internal consultation when assessing an application.
- There is potential to develop information guidelines for the public to access when planning a new development and to influence developers to align with CoMG’s character and community preferences.

Discussion

The audit scope called for a review of ‘internal relationships and workflow management between departments where appropriate’. Workflow management is important as, under the PDI Act, Planning officers refer applications to in-house specialists for input. Responses must be received in a timely way or, under the Act, applications may be deemed as approved.

To achieve this, Audit spoke with a member of the Executive, as well as the Development Services and Operations & Engineering teams about their experiences with internal collaboration. We identified two areas for strengthening workflow management: with Environmental Health Officers and the Operations & Engineering Team.

**Environmental Health Officers**

There are currently two Environmental Health Officer (EHO) vacancies. Prior to this, Planning staff reported referring to EHOs regularly, including via a weekly meeting. A former EHO had a logon for the ePlanning Portal and could access the data they required. Input from EHOs has naturally declined as CoMG rely on input from an EHO on a single day a fortnight basis, a shared resource from Wattle Range Council.

**Operations & Engineering team**

Audit identified a need for strengthened engagement and collaboration between the Operations & Engineering and Development Services teams. Both teams expressed a desire for this to occur. Causes of low engagement levels include:

- general busyness / pressure on capacity (See discussion in **Section 2.2**)
- short assessment timeframes, limiting opportunity for collaboration and the ability to influence the assessment outcome
- discontinued formal collaboration mechanisms, and
- some lack of clarity around roles and responsibilities between teams.

These are further discussed over page.







Short assessment timeframes

Stakeholders reported some delays in receiving input into development applications, and a reliance on Planning Officers' knowledge in the absence of this input. This may be addressed by formalised collaboration mechanisms (see below).

A need for formalised collaboration mechanisms

As at fieldwork, Audit observed a lack of formalised mechanisms to encourage and/or require collaboration. Examples of such mechanisms could include regular, recurrent scheduled meetings between internal stakeholders, and/or specific triggers (embedded in policy/procedures) during the assessment process requiring collaboration. Historically, there have been recurrent meetings scheduled between the Operations & Engineering and Development Services teams.

Internal engagement is a key component for achieving successful development outcomes for CoMG, as a lack of internal engagement can lead to sub-optimal development outcomes. For example, the impact of the development on infrastructure and the surrounding neighbourhood, such as stormwater, bin collection, street parking and trees onsite, may not be adequately considered. See **Recommendation 5**.

Opportunity to clarify roles and responsibilities between teams

Stakeholders expressed various areas where there is opportunity for increased clarity in the roles and responsibilities between the Operations & Engineering and Development Services teams. In summary, these points appeared to be around:

- what could be influenced through the planning assessment process, and
- what planning and infrastructure requirements must be established outside of planning assessment process.

Interviewees identified some inconsistencies in understanding of the extent to which council can influence development. Under the PDI Act, council's influence over planning direction can be limited. Short assessment timeframes, streamlined approval processes and detailed, specific and mandatory requirements of the PDI Act and the Code mean that once an application is lodged, there is limited opportunity to influence the development. Teams demonstrated desire and a need for further clarity around roles and responsibilities in this space. See **Recommendation 6**.

Opportunity to develop / provide guidance information to external stakeholders

In addition to the development assessment process, there is opportunity for Council to more proactively influence development within its capacity as the Local Government Authority. There are decision points for councils under the PDI Act that can provide opportunities for CoMG to positively influence the nature of development. This may be driven by the Engineering team, and result in reduced calls to the Planning officers. An example is outlined below.

**Example – area where Council can influence planning direction**

Under s102 of the PDI Act, for proposed division of land where land is to be vested in a council, the council needs to accept the vesting, and prescribed requirements regarding internal roads and drainage of the land must be met to the council's satisfaction. Early intervention by engaging with developers and providing them with clear guidance regarding CoMG expectations when evaluating the decision to accept the vesting of





land and/or infrastructure is key to giving CoMG the best chance of positively influencing the future direction of development in the city.

In relation to the vested land example above, there is reportedly some level of early engagement by the Operations & Engineering Team with developers, however this is hindered by a lack of guidance about CoMG expectations and absence of a current CoMG master plan<sup>8</sup> that can be provided to developers. Engineering Team guidance that describes and promotes CoMG’s preferred position and expectations for key elements of developments may help educate developers, provide them greater opportunity to consult with CoMG subject matter experts in the pre-application stage, and allow them to identify development options that align with Council’s strategic intent and planning principles. This may also help to reduce enquiries and time impact upon Planning Officers. **See Recommendation 7.**

**Risk Exposure**

- Some lack of clarity around roles/responsibilities between teams may create time delays and unnecessary resource duplication in responding to customer requests and providing input into developments.
- CoMG’s influence over planning and development activity may be restrained by the limited engagement with developers in the pre-application stage.
- Lack of engagement between key internal stakeholders during the pre-application stage and when assessing an application may result in sub-optimal planning outcomes.

<b>Recommendation 5</b>	Re-introduce regular, recurrent scheduled meetings between Development Services and Operations & Engineering teams and other stakeholders for joint review of upcoming developments and current Performance Assessed development applications.
<b>Agreed Actions</b>	As per recommendation
<b>Action Officer</b>	Manager Development Services Manager Engineering, Design & Asset
<b>Completion Date</b>	ASAP – July 2024

<b>Recommendation 6</b>	Conduct a mapping exercise to document/confirm roles and responsibilities between the Development Services and City Infrastructure teams. This can provide further clarity and consistency to all staff on roles and responsibilities. This may also include internal service standards.  <i>Note: When implementing this recommendation there is an opportunity for CoMG to liaise with peer councils and consider their service standards.</i>
<b>Agreed Actions</b>	As per recommendation

<sup>8</sup> The Greater Mt Gambier Master Plan is currently out of date.





City of Mount Gambier

<b>Action Officer</b>	Manager Development Services Manager Engineering, Design & Assets
<b>Completion Date</b>	December 2024

<b>Recommendation 7</b>	Consider how CoMG could influence planning and development activity by more proactively engaging with external stakeholders at the pre-planning stage, where applicable. Solutions may include developing guidance on: <ul style="list-style-type: none"> <li>▪ CoMG’s preferred position on key elements of development plans, including explanation of requirements under the PDI Act</li> <li>▪ CoMG’s view on best practice outcomes with respect to wholistic planning considerations such as stormwater management, established tree retention, streetscape enhancement, and heritage character preservation.</li> <li>▪ CoMG subject matter experts who are available to assist developers with enquiries at the pre-planning stage.</li> </ul>
-------------------------	--

<b>Agreed Actions</b>	<p><b>Guidance Development:</b> Develop comprehensive guidance documents outlining CoMG’s preferred positions on key elements of development plans. This should include clear explanations of requirements under relevant legislation like the Planning and Development Infrastructure (PDI) Act.</p> <p><b>Best Practice Outcomes:</b> Define CoMG’s views on best practice outcomes for holistic planning considerations such as stormwater management, established tree retention, streetscape enhancement, and heritage character preservation. This can be communicated through guidelines, policy statements, or informational materials provided to developers.</p> <p><b>Subject Matter Expert Availability:</b> Identify and designate CoMG subject matter experts who can assist developers with inquiries at the pre-planning stage. Ensure that these experts are accessible and responsive to developers’ needs, providing guidance and expertise to help align projects with CoMG’s objectives and regulatory requirements.</p> <p><b>Stakeholder Engagement Platforms:</b> Establish platforms or forums for regular engagement between CoMG representatives and external stakeholders, including developers, community groups, and industry associations. These platforms can facilitate dialogue, exchange of ideas, and collaboration on planning and development initiatives.</p> <p><b>Education and Awareness Programs:</b> Conduct educational programs and outreach activities to raise awareness among developers and other stakeholders about CoMG’s priorities, policies, and expectations regarding</p>
-----------------------	--

PDI Act 2016 - Post Implementation Audit

Liability limited by a scheme approved under Professional Standards Legislation

20





City of Mount Gambier

	planning and development. This can include workshops, seminars, and informational materials disseminated through various channels.
<b>Action Officer</b>	Manager Development Services Manager Engineering, Design & Asset Manager Economy, Strategy and Engagement
<b>Completion Date</b>	December 2024





City of Mount Gambier

<b>2.4 Development enforcement and compliance actions</b>	Audit Risk Rating	CoMG Risk Rating
	Moderate	Moderate

Key Findings

- Legislative targets for Class 1 building inspections are being significantly exceeded, whilst legislative targets for inspection of Class 2-9 building inspections are not being achieved.
- There is minimal follow-up of developers' and building owner's compliance with Essential Safety Provisions (ESPs).
- The team reported limited capacity to meet all compliance and enforcement obligations, and focus on Class 1 inspections as a priority.

Discussion

The scope called for a review of council's processes, documentation and procedures for development enforcement and compliance actions, and their compliance with the relevant provisions of the PDI Act. To achieve this, audit reviewed relevant council policies / procedures, interviewed key staff with responsibilities for development enforcement and compliance actions, and reviewed data from the Portal demonstrating progress against legislative targets.

Building and Swimming Pool Inspections

State Planning Commission *PRACTICE DIRECTION 8 - Council Swimming Pool Inspections 2019* and *PRACTICE DIRECTION 9 - Council Inspections 2020* set the minimum level of inspections that must be undertaken each relevant reporting year (1 July to 30 June). "Council Policy D150 - Building & Swimming Pool Inspection Policy" reiterates the requirements of these practice directions. The policy is consistent with the Directions, with the exception of an additional target within Council's policy to undertake inspections on 10% of all approvals for Class 10A (verandas etc.) and 10% of all approvals for Class 10B (retaining walls, fences etc.). Council has not met these self-imposed targets (see **Section 2.8** for further discussion).

The following extract taken from the PlanSA Portal shows Council's inspection rate as at the time of the audit against the target:

Practice Direction 9					
Building Class	Target %	Building Works Inspected %	Building Works Commenced	Building Works Inspected	
Class 1	66%	90.34%	290	262	
Class 2-9	90%	32.97%	91	30	

Practice Direction 8					
Building Class	Target %	Building Works Inspected %	Building Works Completed	Building Works Inspected	Building Works Inspected Within Timeframe (10 Days)
Swimming Pools	100%		1		

PDI Act 2016 - Post Implementation Audit

Liability limited by a scheme approved under Professional Standards Legislation







Opportunity to more systematically target Building Officer work tasks

As indicated on the previous page, for Class 1 buildings a minimum of 66% of building work commenced in the relevant year must be inspected. As indicated above, Council is exceeding inspection requirements, with an inspection rate of 90.34% (24% above requirements).

The Building Officer performing these inspections reported that they spent the majority of their time managing and performing building inspections, with little time to perform other responsibilities such as compliance action or inspection of Class 2-9 buildings.

Audit consider that, given inspections for Class 2-9 buildings are approximately 57% below target as at March 2024, there may be opportunity to reduce the number of inspections performed for class 1 buildings to a range closer to legislative target minimums to allow the Building Officer to prioritise other parts of their role. **See Recommendation 8.**

Shortage in inspections conducted: Class 2-9 and swimming pools

For Commercial buildings (Class 2-9 buildings) a minimum of 90% of building work commenced in the relevant reporting year must be inspected. As shown in the table on the previous page, Council is not currently meeting the required inspection targets for Class 2-9 buildings, with an inspection rate of 32.97% against a target of 90%.<sup>9</sup>

The table on the previous page also shows that Council did not meet timeframes in inspecting one swimming pool. **Recommendation 8 and Recommendation 9.**

Capacity to conduct proactive work

Audit note that in relation to swimming pools, Council has been advised of only 1 completed pool. Per the PDI Act, swimming pool means 'an excavation or structure that is capable of being filled with water and is used primarily for swimming, wading, paddling or the like and includes a bathing or wading pool or spa pool'.

It is noteworthy that inspection numbers are based on Council being advised that building works have commenced (or swimming pools completed). Council officers reported lack of capacity to perform proactive follow up of building works to ensure that it has a complete population of commenced / completed works, and it is likely that there are instances of owners failing to notify council. Audit understand that there are anecdotally not many swimming pools installed in Mt Gambier, however given that there is a swimming pool and spa retailer in the city, this number appears under-reported. **See Recommendation 8.**

---

<sup>9</sup> Inspections can be undertaken by a by a Building Officer with Building Level 2 Accreditation provided buildings are no more than three storeys in height or have a floor area of no more than 2,000m<sup>2</sup>. Over these limits, a Building Level 1 Accreditation is required. Council's Development Services Coordinator is currently Level 2 accredited, and in the process of achieving Level 1 accreditation. Council's Building Officer is currently Level 3 accredited, and in the process of achieving Level 2 accreditation.







Essential Safety Provision (ESP) Compliance

When Council issues consent for a commercial property, it provides the ESP Form 1 (outlining required essential safety provisions) and Form 2 (owners sign to say all ESPs installed). Owners do not always return these forms, which are required before they can have the certificate of occupancy.

For certain larger non-dwelling buildings, in accordance with regulation 94(10) and (11), a building owner must provide annual proof to council – via lodgement of a ‘Form 3’ - that maintenance and testing have been carried out on all ESPs applicable to the building. Council’s Customer Service team proactively send a reminder email to all known owners with a relevant building requiring an Annual return form. Again, not all owners complete and provide Council with their Form 3s.

Ideally, Council would conduct further proactive follow up with owners regarding their incomplete ESP Forms. No formal process is currently in place for this follow up, with the primary reason provided being a lack of capacity. In addition, staff reported that the new Portal does not facilitate an efficient process for these reviews, and that the process has deteriorated since transitioning to the new system. See **Recommendation 8**.

Building and Rectification Notifications

Council’s ‘Administrative Principle – Enforcement Of Unlawful Development’ outlines the processes for investigating and, where required, taking enforcement action to address unlawful development. Enforcement actions are tracked and monitored via the PlanSA Portal.

The policy promotes a pragmatic approach to enforcement action, with the Delegated Officer selecting the appropriate enforcement action following a decision to investigate which may include taking no action, informal action (such as a verbal advice), or formal action. In practice, Council has recorded minimal rectification activities. Of the 718 buildings requiring inspections as listed in the ‘Building and Rectification Notifications Report’ for the period 27/4/2021 to 18/03/2024 only 7 have been flagged as requiring rectification, the last of which was on 7/04/2022. Staff reported that only informal actions have been taken in recent times, as staff seek in the first instance to resolve issues through informal discussions with developers and have found this to be effective. Whilst not possible to evidence, anecdotally the low volume of enforcement actions may potentially also be influenced by the lack of capacity in the team. See **Recommendation 8** and **Section 2.2**.

Risk Exposure

- Low levels of proactive compliance and enforcement activity, and failure to meet mandated inspection targets may result in increased risk of non-compliant building works, inadequate ESPs and unsafe swimming pools in the community, exposing council to reputational risk and increased potential for legal penalties and/or fines.

<b>Recommendation 8</b>	Increase capacity to perform important higher-risk compliance and enforcement actions, such as further proactive follow-up of outstanding ESP Forms and failures to notify council of completion of swimming pools, by:
-------------------------	---





City of Mount Gambier

	<ul style="list-style-type: none"> <li>▪ reducing the number of Class 1 building inspections being performed, and utilise the freed-up capacity to perform compliance and enforcement actions</li> <li>▪ provide training and assign responsibility to select administrative support staff to assist with lower-level tasks otherwise being performed by Building Officers such as following up outstanding items with developers / building owners, data reporting and customer service provision, and</li> <li>▪ working with local supplier(s) to ensure that they advise when swimming pools are installed.</li> </ul>
<b>Agreed Actions</b>	<p>Prioritise Compliance Actions: Evaluate the current workload of Class 1 building inspections and identify areas where resources can be reallocated. Prioritize higher-risk compliance and enforcement actions over routine inspections to focus efforts on addressing outstanding issues.</p> <p>Training and Delegation: Provide comprehensive training to select administrative support staff to handle lower-level tasks typically performed by Building Officers. Assign responsibility for tasks such as following up with developers/building owners, data reporting, and customer service provision</p> <p>Streamlining Processes: Identify opportunities to streamline compliance and enforcement processes to improve efficiency. This may include leveraging technology for streamlined communication with stakeholders.</p>
<b>Action Officer</b>	<p>Manager Development Services                  Development Services Coordinator</p>
<b>Completion Date</b>	<p>June 2025</p>

<b>Recommendation 9</b>	<p>Consider engaging external consultants to assist with backlogs in class 2-9 building inspections.</p>
<b>Agreed Actions</b>	<p>To be considered as part of the Workforce plan and service review and will be subject to available resources. This will be considered and reported back to the Audit and Risk Committee.</p>
<b>Action Officer</b>	<p>Manager Development Services                  Development Services Coordinator</p>
<b>Completion Date</b>	<p>TBA – Covered in 8 as above – process improvements and better administration could significantly address this recommendation</p>





<b>2.5 Delegations – opportunity to formalise acknowledgement re the PDI Act</b>	Audit Risk Rating	CoMG Risk Rating
	Low	Low

**Key Findings**

- Delegations in relation to the PDI Act were updated in concurrence with internal audit fieldwork.
- There is some opportunity to clarify delegations in relation to the RAP, in particular where these delegations should be recorded/published.

**Discussion**

The audit scope called for a review of legislative compliance in relation to supporting frameworks such as delegations and authorisations.

**Delegations within Reliansys System**

Council uses the Reliansys system to maintain its instruments of delegations under the PDI Act. This is available both online and in-house. Staff can log into the system and view delegations relevant to them. The public/online version is currently dated 2021.<sup>10</sup> See **Recommendation 10**.

As at the time of audit fieldwork, delegations in line with Instruments A and B of the Act were included in Reliansys. There had been some lack of clarity around whether delegations linked to Instruments C and D were Council’s responsibility to update, as these include delegations related to the Limestone Coast Southern Regional Assessment Panel (RAP). The decision was made to update Reliansys with CoMG officers’ delegations relevant to these Instruments C and D of the legislation.

Until the end of June 2024, Council is the administrator of the RAP. This panel represents four councils. Any delegations relevant to the RAP and not administered by CoMG are not currently managed by CoMG’s Governance and Property Team. Audit understand that other councils have raised questions about these delegations, indicating a need for clarity around roles/responsibilities around the management of delegations relevant to the RAP. See **Recommendation 11**.

**Internal processes around delegations**

The administration of delegations and authorisations is an intricate task, and council’s use of the Reliansys system assists in achieving efficiencies with this. The intent is to track all delegations and authorisations, and CoMG officers are able to log in and view all delegations associated with their role. Reliansys also has a feature to notify officers of changes to relevant legislation.

The internal process around delegations for the PDI Act is clearly documented.<sup>11</sup> Audit found that:

- the high-level process for delegation to the CEO was undertaken correctly
- sub-delegation to officers occurs via the system only, with email notification to officers upon commencement and if there are any changes

<sup>10</sup> See: <https://cdn.mountgambier.sa.gov.au/docs/Delegations-Register-3-June-2021.pdf>

<sup>11</sup> See Administrative Procedure, RelianSys – Delegations / Authorised Officer Appointments, p.11.





- the procedure outlines a process for officers to sign their Instruments of Delegation, however this currently does not occur, with resourcing constraints cited, and
- authorisations are in place as required.

Given that Building Officers reported having over 300 delegations each, the task of manually printing and signing off on these would take time. It is important, however, to ensure that delegations are up to date and accurate, for example as any decision challenged and found to be made by someone without delegation would be overturned. See **Recommendation 12**.

**RAP**

Audit found that Delegation to the Assessment Manger was documented and in line with requirements, and that CoMG officers’ relevant delegations relevant to the RAP’s operations were updated and clarified as at the time of audit fieldwork.

**Risk Exposure**

- Incorrect delegations/authorisations and/or understanding of these may lead CoMG or RAP officers to make decisions incorrectly or without appropriate authority.

<b>Recommendation 10</b>	Ensure that Council’s latest/updated published Delegations Register as available on the public website.
<b>Agreed Actions</b>	As per recommendation
<b>Action Officer</b>	Manager Governance and Property
<b>Completion Date</b>	Completed

<b>Recommendation 11</b>	<p>Work to ensure that members of the Limestone Coast Southern Regional Assessment Panel have clarity around responsibility for maintaining/updating relevant delegations in association with Instruments C and D under the PDI Act.</p> <p><i>Note – this may be achieved via an email/agenda item for RAP discussion and the intent is to ensure ongoing clarity between all member councils. The action can be closed after CoMG employees have raised/worked to address the matter.</i></p>
<b>Agreed Actions</b>	As per recommendation
<b>Action Officer</b>	Manager Development Services
<b>Completion Date</b>	ASAP- July 2024 (Will introduce an induction for the new panel membership commencing in July 2024)





City of Mount Gambier

<b>Recommendation 12</b>	<p>Develop a pragmatic approach to periodically confirming that Development Services officers' delegations are up to date, correct and that officers have signed acceptance of these delegations.</p> <p>This recommendation may be considered on a cost-benefit basis. For example, this update may occur annually/biannually or be conducted within the Development Services team.</p>
<b>Agreed Actions</b>	As per recommendation
<b>Action Officer</b>	Manager Governance and Property
<b>Completion Date</b>	August 2024







City of Mount Gambier

<b>2.6 Governance mechanisms are in place, there is opportunity for proactive fire inspections</b>	Audit Risk Rating	CoMG Risk Rating
	Low	Low

Key Findings

- There is opportunity to strengthen the scope/operations of the Building Fire Safety Committee.

Discussion

The audit scope called for a review of the governance mechanisms introduced, including the Limestone Coast Southern Regional Assessment Panel (RAP), the Building Fire Safety Committee (BFSC) and the Assessment Manager in relation to the terms of reference, appropriateness of delegations and appointments to these authorities.

A summary of analysis of governance mechanisms is below.

Governance mechanism	Status	Comment
Assessment Manager (Council)		<ul style="list-style-type: none"> <li>Appropriately qualified, and</li> <li>the Reliansys system documents appointment to the role, as per s.87 of the Act.</li> </ul>
RAP		<ul style="list-style-type: none"> <li>Terms of Reference (August 2022) align with the PDI Act</li> <li>members have been appropriately appointed</li> <li>a Deputy Member has been appointed to be called upon as needed</li> <li>Assessment Manager appropriately appointed</li> <li>panel 'gazetted' May 2022, including a summary of the core provisions, panel procedures and cost sharing arrangements.</li> </ul>
BFSC		<ul style="list-style-type: none"> <li>Terms of Reference established, comply with requirements of s.157(17) of the Act</li> <li>Members appointed via Council Resolution only</li> <li>meets annually – this meets legislative requirements however there is opportunity to strengthen operations of the BFSC. See <b>Recommendation 13</b> and discussion below.</li> </ul>

Building Fire Safety Committee

The BFSC meets annually. A review of the 2023 Minutes indicates a report for only one property was considered, with the same property also the only property considered in 2022.

PDI Act 2016 - Post Implementation Audit

Liability limited by a scheme approved under Professional Standards Legislation





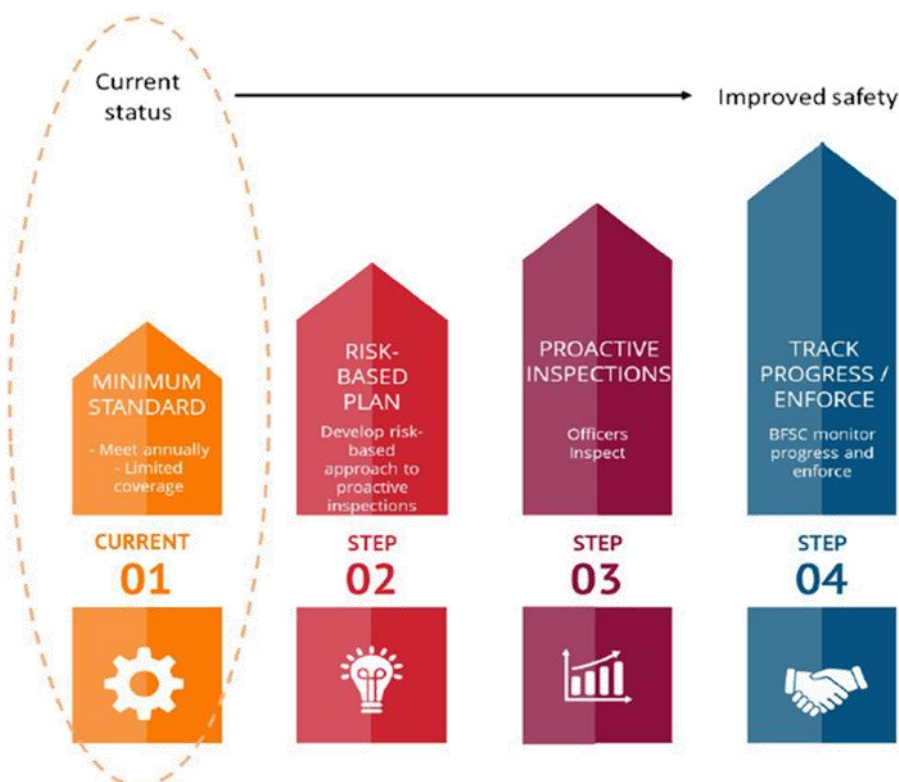


Currently, the Committee meets minimum requirements. Section 157 of the Act indicates additional scope for the Committee:

- (1) An authorised officer who holds prescribed qualifications or a member of an appropriate authority [the BFSC] may, at any reasonable time, enter and inspect any building for the purpose of determining whether the fire safety of a building is adequate.
- (2) An authorised officer who holds prescribed qualifications must conduct an inspection of a building under subsection (1) at the request of an appropriate authority or a fire authority.
- (3) If an appropriate authority is satisfied that the fire safety of a building is not adequate, the appropriate authority may cause a notice to be served on the owner of the building...

This indicates opportunity for the BFSC to be used to drive more strategic fire safety within the council area. A summary is included in the diagram below.

**Potential opportunities for the BFSC – Strategic Approach to Fire Safety**



The BFSC’s Terms of Reference also include an ‘Investigation and Inspection Priority Policy’. This outlines events that may trigger an inspection by an authorised officer:

- 5.1.1 Direction by a relevant fire authority
- 5.1.2 Complaint from the public





5.1.3 Audit and/or targeted buildings and businesses

The Terms of Reference further outline the Committee’s inspection priorities, ‘noting the intent is **not to carry out annual inspections**, but to address or rectify buildings as identified under 5.1, to the extent that would provide an adequate level of safety for the building occupants.’

The Terms of reference also identify that ‘Audits should be performed on a 10 yearly basis and monitored through Council’s record keeping systems with updates of inspection to BFSC.’

**Other councils’ approaches**

IA note that some councils have proactive fire inspection approaches. For example, one Council’s BFSC ToR notes:

*The Committee shall develop and implement a fire safety inspection schedule based on:*

*9.1.1. Buildings identified as a high fire safety risk, including:*

*9.1.1.1. Ensuring high risk buildings where life safety criteria are most important are inspected first i.e.: overnight accommodation for unrelated persons; and*

*9.1.1.2. where large crowds congregate during operating hours ...<sup>12</sup>*

This indicates that there is opportunity for a more proactive and scheduled approach to fire inspection. Internal Audit understand that although there is desire to conduct these inspections, they do not occur at present, reportedly due to resourcing/capacity constraints. See **Recommendation 13**.

**Risk Exposure**

- Council may miss opportunities to ensure that buildings meet appropriate fire safety standards due to a lack of proactive inspections.
- Council may suffer reputational damage if an event occurs and it has not performed inspections in line with community expectations.

<b>Recommendation 13</b>	The BFSC to consider: <ul style="list-style-type: none"> <li>▪ developing a proactive approach to inspecting higher-risk buildings, with the highest-risk buildings inspected first</li> <li>▪ monitoring/tracking these inspections and ‘causing issue’ of notices to be served as required as per s157 of the PDI Act.</li> </ul> <p><i>Note – this recommendation can be considered on a cost/benefit basis, Internal Audit understand that it involves resource considerations.</i></p>
<b>Agreed Actions</b>	As per recommendation but dependant on adequate resourcing. Final result to be reported back to Audit and Risk Committee.
<b>Action Officer</b>	Manager Development Services – Development Services Coordinator
<b>Completion Date</b>	December 2024

<sup>12</sup> City of West Torrens. BFSC Terms of Reference. Online, URL: <https://westtorrens.prelive.opencities.com/files/share/assets/public/v/3/objective-digitalpublications/term-of-reference/building-fire-safety-committee-terms-of-reference.pdf>





City of Mount Gambier

<b>2.7 Complaints management</b>	Audit Risk Rating	CoMG Risk Rating
	Low	Low

**Key Findings**

- Council currently captures limited complaints data. There is opportunity to formalise the approach to capturing and monitoring trends in customer feedback. This could relate to Development Services only, or across Council.

**Discussion**

To provide assurance around the adequacy of internal processes under the PDI Act, Internal Audit aimed to review complaints data and use this to understand trends/areas for strengthening and/or areas of strength. *(It is important to highlight that this part of the audit was not conducted due to concerns about the Development Services team, but as part of the planned audit process).*

The structures under the PDI Act provide for a person to make a complaint about a decision that was made, or the conduct of a decision maker, including the following:

- RAP– complaints must be lodged with the Chief Executive of PlanSA, and
- Assessment Manager – complaints must be lodged with the Chief Executive Officer of the council that appointed them.<sup>13</sup>

Audit note that complaints may be raised for areas within Council’s control (timeliness, transparency around decisions made) or outside of Council control (e.g. approval of ‘deemed to satisfy’ applications). When outside of Council control, these do not meet the definition of a complaint against Council’s services.

Audit aimed to review CoMG’s customer feedback and complaints in relation to the Development Services Team, and identified the following:

- Council has a *C200 Request for Service and Complaint Policy* (the Policy) that outlines the approach to complaints handling
- the Policy does not refer to complaints under the PDI Act and is overdue for update
- the Policy defines a reasonable request for service, there is opportunity to define a complaint
- the Policy is not clearly found on the Council website – a search for ‘complaint’ on the landing page brings up a range of other operational documents staff reported that they do not lodge information about complaints received if the calls are received directly unless a threat has been made against them (lodged via Skytrust system)
- the public is able to contact Council directly to make a complaint
- complaints lodged in writing are captured in a complaints log

<sup>13</sup> Plan SA 2022, ‘How to make a complaint about a decision maker’, URL: [https://plan.sa.gov.au/have\\_your\\_say/make\\_a\\_complaint/how\\_to\\_make\\_a\\_complaint\\_about\\_a\\_decision\\_maker](https://plan.sa.gov.au/have_your_say/make_a_complaint/how_to_make_a_complaint_about_a_decision_maker)





- there were only two complaints documented in relation to Building and Planning staff in the last 12 months (therefore no trend information able to be considered).

Audit note that the Development Services team are professional and that processes appear thorough. They also reported dealing with abusive customers regularly. It is better practice, however, to record all complaints whether received via writing, in person or over the telephone. These can then be reviewed to identify trends and promote continuous improvement. They can also provide Council with assurance that planning /building processes are operating well, or provide insight into areas where further public information can be provided as a way to reduce complaints received. In addition, this information can be used to document unreasonable requests and support staff in dealing with these.

See **Recommendation 14** and **Recommendation 15**.

Risk Exposure

- If formalised complaints handling processes are not in place, CoMG may not comply with the PDI Act’s complaint handling requirements.
- If CoMG does not monitor customer feedback and complaints, CHB may miss opportunities to better address community expectations/preferences.

<b>Recommendation 14</b>	<p>Consider reviewing and updating the Customer Request and Complaint Handling policy. Items to consider include:</p> <ul style="list-style-type: none"> <li>▪ definition of a complaint</li> <li>▪ clarity of how complaints against the Assessment Manager should be documented, lodged with the Chief Executive Officer and investigated</li> </ul> <p>In addition, clarify what form a complaint must be in before it is formally lodged (currently written format only). This can ensure that all staff are aware of and comply with the PDI Act’s expectations around complaint handling procedures.</p> <p><i>Note – complaint management affects all of Council, this recommendation specifically addresses complaints in relation to the PDI Act only.</i></p> <p><i>Audit note that a range of peer councils capture phone call complaints to ensure that all received concerns are actioned. This may be actioned on a whole-of-Council approach, with all complaints captured (including in relation to development).</i></p>
<b>Agreed Actions</b>	Council are in the process of updating the Request for Service and Complaints Policy
<b>Action Officer</b>	Manager Governance and Property
<b>Completion Date</b>	August 2024







<b>Recommendation 15</b>	<p>Consider monitoring trends of community feedback/complaints around development services as a way to assist management in understanding areas for continuous improvement and/or to obtain assurance about processes being performed well.</p> <p><i>Note – this is a better practice recommendation only and is included for continuous improvement purposes only.</i></p>
<b>Agreed Actions</b>	<p>Set up a regular schedule for analysing community feedback and complaints data. This could be done monthly, quarterly, or annually, depending on the volume of feedback received. Analyse the data to identify recurring issues, trends, and areas for improvement.</p> <p>Based on the analysis of feedback and complaints data, identify specific areas within development services that require improvement. Look for patterns or common themes in the feedback to pinpoint areas where changes or adjustments may be needed.</p> <p>Develop action plans to address the identified improvement opportunities.</p>
<b>Action Officer</b>	<p>Manager Development Services</p> <p>Manager Organisational Development (Customer Service/Records)</p>
<b>Completion Date</b>	<p>December 2024</p>





City of Mount Gambier

<b>2.8 Policies – minor updates to be considered</b>	Audit Risk Rating	CoMG Risk Rating
	Low	Low

**Key Findings**

- Council’s Land Division policy is out of date, referring to repealed legislation.
- The Building & Swimming Pool Inspection Policy introduces inspection targets over and above legislative requirements, which are not being met.

**Discussion**

The required processes for Planning and Development are heavily regulated, and as such Council-specific policies are generally not beneficial or necessary. Rather, Council staff generally refer to the PDI Act and regulations, and Plan SA guidance and Practice Directions. Council does have two relevant policies in place, discussed below.

Policy L130 Land Divisions

This policy sets out CoMG’s requirements for land divisions and their associated road construction within the Council area. The policy is out of date (overdue for review since August 2023), and does not refer to the PDI Act.

The policy is currently published on Council’s website. In practice, staff are applying the requirements of the PDI Act, and not this policy. See **Recommendation 16**.

Council Policy D150 – Building & Swimming Pool Inspection Policy

This outlines requirements for building inspections pursuant to s144 of the PDI Act, *Practice Direction 8 – Inspection Policy for Swimming Pools 2019* and *Practice Direction 9 – Council Inspections 2020*.

The policy is consistent with the Directions, with the exception of an additional target to undertake inspections on 10% of all approvals for Class 10A (verandas etc) and 10% of all approvals for Class 10B (retaining walls, fences etc). Council has not met these self-imposed targets.

Given the existence of specific Practice Directions from PlanSA, there is opportunity to review whether this policy is required. See **Recommendation 16**.

**Risk Exposure**

- Policies being inconsistent with legislation increases the risk of non-compliance with legislation and/or policy.

<b>Recommendation 16</b>	Reconsider the need to continue maintaining the <i>Land Division</i> and <i>Building and Swimming Pool Inspection</i> policies, and either revoke them or update them to ensure consistency with legislation (including reconsidering the benefit of establishing more onerous inspection targets than those mandated by legislation).
--------------------------	--







City of Mount Gambier

<b>Agreed Actions</b>	The Land Division Policy is currently under review by the infrastructure team. The Building and Swimming Pool Inspection can be revoked
<b>Action Officer</b>	Manager Engineering, Design & Assets Manager Development Services Development Services Coordinator - The Land Division Policy is an Engineering Policy
<b>Completion Date</b>	September 2024





## Appendices

PDI Act 2016 - Post Implementation Audit  
Liability limited by a scheme approved under Professional Standards Legislation

37





## Appendix 1. Scope of the audit engagement



### Internal Audit Scope PDI Act 2016 - Post Implementation Audit

<p><b>Background</b></p>	<p>South Australia transitioned to a new planning system in March 2021. This new system is fully electronic, providing online development assessment and processing via a web based ePlanning platform, accessed via PlanSA.</p> <p>The new ePlanning system applies to the whole of South Australia. The ePlanning platform brings together the PlanSA portal, the on line Planning and Design Code, the South Australian Property and Planning Atlas and the electronic Development Application processing system.</p> <p>The new planning system was developed to implement the requirements specified within the Planning, Development and Infrastructure Act 2016 (PDI Act) and relevant regulations.</p>
<p><b>Audit Objective</b></p>	<p>This audit will review the legislative compliance of Council's development assessment processes and as well as provide assurance on the supporting frameworks in place such as delegations, authorisations, policies, procedures and plans.</p>
<p><b>Scope</b></p>	<p>The audit scope will cover post implementation review of the system reforms including:</p> <ul style="list-style-type: none"> <li>▪ the adequacy of Council's processes to align to the new regime</li> <li>▪ legislative compliance - including in relation to required supporting frameworks such as resources, delegations and authorisations</li> <li>▪ review of Council's application of the Planning and Design Code, National Construction Code, Ministerial Specifications and Practice Directions</li> <li>▪ review of the governance mechanisms introduced (RAP, Assessment Manager, Building Fire Safety Committee) in relation to terms of reference, appropriateness of delegations, appointments to these authorities</li> <li>▪ review council's processes, documentation and procedures for development enforcement and compliance actions and their compliance with the relevant provisions of the PDI Act (excluding detailed analysis of operational examples – primary focus on framework and timeliness of high-risk enforcement/compliance actions)</li> <li>▪ training/development for staff, and</li> <li>▪ internal relationships and workflow management between departments where appropriate.</li> </ul> <p>The audit will not include detailed testing, and/or provide a comprehensive review of Council's implementation of the ePlanning system per a larger 'service review' engagement. The review will consider workflows and procedures from a high-level and with a consideration of risk.</p>





<p><b>Methodology</b></p>	<p>In conducting the engagement, the team will:</p> <ul style="list-style-type: none"> <li>▪ conduct interviews with key stakeholders and team members</li> <li>▪ review key Council documentation and relevant policies and procedures where applicable</li> <li>▪ conduct select testing of delegations, authorisations and enforcement and compliance actions</li> <li>▪ identify potential opportunities for improvement</li> <li>▪ draft a report summarising findings and recommendations</li> <li>▪ allow management responses to be considered as part of the draft report and the subsequent review process, and</li> <li>▪ provide a final report for presentation to the Audit and Risk Committee.</li> </ul>
<p><b>Relevant Risks</b></p>	<p>This audit aligns with Council's strategic risk/s:</p> <ul style="list-style-type: none"> <li>▪ <i>Governance, Compliance, and Legislative Obligations.</i></li> </ul>





## Appendix 2. Overall Control Environment Conclusion Rating Definitions

This internal audit project aimed to assess the controls established to address a key strategic risk or risks as documented in the Executive Summary. Based on the work undertaken, and when considering the design and/or effectiveness of controls collectively, we conclude that the control environment is one of the following ratings:

Rating	Effective	Majority Effective	Partially Effective	Requires Significant Improvement	Ineffective
Definition	Controls assessed were effective in mitigating the key strategic risk or risks	Controls assessed were largely effective in mitigating the key strategic risk or risks	Controls assessed were partially effective in mitigating the key strategic risk or risks	Controls assessed require significant improvement to mitigate the key strategic risk or risks	Controls assessed were ineffective in mitigating the key strategic risk or risks





## Appendix 3. Council Risk Framework

Below is a relevant extract from Council’s ‘Risk Management Administrative Principle’ document.

### Target Risk Level / Risk Tolerance

The Organisational target risk level is the risk tolerance and rating the Organisation is willing to accept after implementing controls.

Risk Level	Acceptance Level	Monitoring Frequency
Low	Acceptable	Quarterly / Yearly
Medium	Acceptable	Monthly / Quarterly
High	Acceptable in Some Circumstances	Weekly / Monthly
Extreme	Unacceptable in most circumstances	Daily/ Weekly

### Risk Likelihood

The Risk Likelihood based on the potential for the risk to occur.

Rating	Potential for Risk to Occur	Likelihood Description
Rare	Extremely low probability. Will only occur in exceptional circumstances	Operations Explanation: May occur in exceptional circumstances. Could be incurred in a 5-10year timeframe Projects / Business Case Explanation: Has not occurred in similar studies or projects, Conceivable but in extreme circumstances
Unlikely	Low probability of an incident	Operations Explanation: Could be incurred in a 2-5 year timeframe Projects / Business Case Explanation: Known to happen but only rarely
Possible	Moderate probability of an incident	Operations Explanation: Could be incurred within a 1-2 year period Projects / Business Case Explanation: Incurred in a minority of similar studies or projects
Likely	Probably will occur	Operations Explanation: Will probably occur in most circumstances - several times a year Project / Business Case Explanation: Could easily be incurred and has generally occurred in similar studies or projects
Almost Certain	Expected to occur in most circumstances	Operations Explanation: It is expected to occur again, immediately or within a short period - likely to occur most Project / Business Case Explanation: Could be expected to occur more than once during the study or project delivery







**Risk Area and Consequence**

The Councils risk appetite and consequence level may vary based on the area of risk. The areas are defined as Financial, reputation, Legal / Regulatory / Policy, Service Delivery, People, Infrastructure and Environmental.

Finance

Consequence Level	Consequence Description
Insignificant	Financial Low - Financial Loss <\$100,000 impact on operating result
Minor	Financial Medium - Financial Loss >\$100,000 and <\$1,000,000
Moderate	Financial High - Financial Loss >\$1,000,000 and <\$2,500,000 or 2.5% rate revenue
Major	Financial Major - Financial Loss > \$2,500,000 and < \$5,000,000 or 5% rate revenue
Catastrophic	Financial Catastrophic - Financial Loss Exposure >\$5,000,000 or 5% rate revenue

Reputation

Consequence Level	Consequence Description
Insignificant	Little community interest, low profile, no news items
Minor	Low impact, some passing interest, low news profile
Moderate	Moderate impact, moderate public interest, public embarrassment, moderate news profile
Major	Sustained public interest, high negative news profile, Premier/Cabinet publicly involved, third party action
Catastrophic	Widespread public agitation, Government censure, high multiple impacts, widespread negative news profile

Legal / Regulatory / Policy

Consequence Level	Consequence Description
Insignificant	No noticeable statutory or regulatory impact
Minor	Minor/temporary non-compliance with statutory requirements
Moderate	Short-term non-compliance with moderate statutory requirements
Major	Significant non-compliance with essential statutory requirements
Catastrophic	Long term or indefinite non-compliance with essential statutory requirements and may result in criminal charges





Service Delivery

Consequence Level	Consequence Description
Insignificant	Insignificant interruption to a service – no impact to customers/business
Minor	Minor interruption to a service with minimal impact to customers/business
Moderate	Moderate Interruption to service delivery. Customer impact up to 48 hrs. Partial BCP action may be needed
Major	Major interruption to service delivery or production capability, Customer impact > 7 days. Component of BCP action may be needed.
Catastrophic	Major interruption to delivery of all or most services for more than 14 days. Full BCP action required.

People

Consequence Level	Consequence Description
Insignificant	Insignificant interruption to operational services, short term vacancies, natural attrition
Minor	Minor impact on workforce, skills shortage, lack of training and development.
Moderate	Moderate impact on workforce, inability to recruit and retain core Council roles and regulatory functions, loss of knowledge, ageing workforce, potential union activities, complaints and disputes, staff engagement, workplace culture and satisfaction levels
Major	Major impact on workforce, lack of specialised resourcing to deliver projects and strategic plans.
Catastrophic	Catastrophic impact on organisation, ICAC enquiry, maladministration, leading to legal implications, serious misconduct matters that impact brand reputation

Infrastructure

Consequence Level	Consequence Description
Insignificant	Financial Low - Financial Loss <\$100,000 impact on operating result
Minor	Financial Medium - Financial Loss >\$100,000 and <\$1,000,000
Moderate	Financial High - Financial Loss >\$1,000,000 and <\$2,500,000 or 2.5% rate revenue
Major	Financial Major - Financial Loss > \$2,500,000 and < \$5,000,000 or 5% rate revenue
Catastrophic	Financial Catastrophic - Financial Loss Exposure >\$5,000,000 or 5% rate revenue





Environmental

Consequence Level	Consequence Description
Insignificant	Minor Instance of environmental damage. Can be reversed immediately
Minor	Minor impact to environment, e.g. on-site chemical release that can be immediately contained. Can be reversed in the short term.
Moderate	Moderate impact to environment. Localised damage or chemical release that has potential to spread but can be contained or reversed with intensive efforts or outside assistance
Major	Off-site chemical release, severe loss of environmental amenity or danger of continuing environmental damage.
Catastrophic	Toxic off-site chemical release with detrimental effect, major loss of environmental amenity or irrecoverable environmental damage

5. RISK ASSESSMENT MATRIX

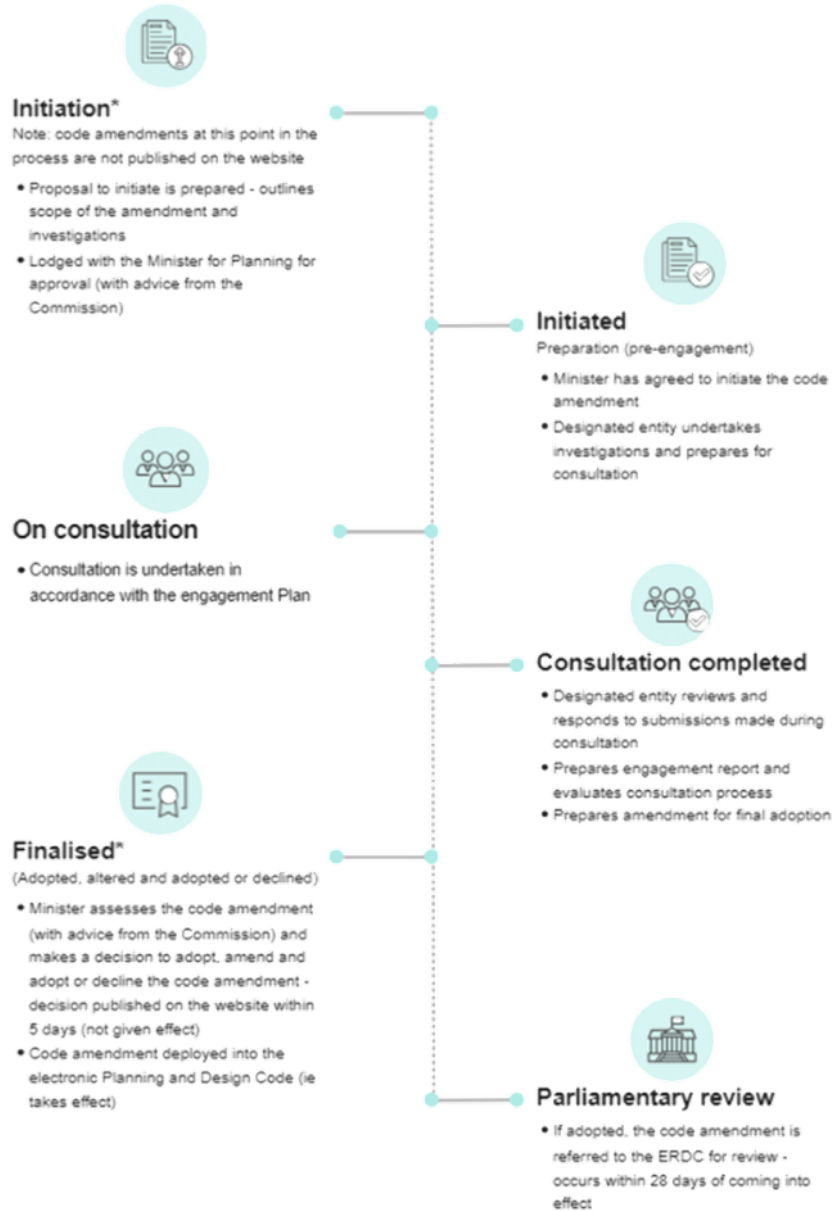
This Risk Assessment Matrix is as follows

	Insignificant	Minor	Moderate	Major	Catastrophic
Rare	Low	Low	Low	Moderate	High
Unlikely	Low	Low	Moderate	Moderate	High
Possible	Low	Moderate	Moderate	High	High
Likely	Moderate	Moderate	High	High	Extreme
Almost Certain	Moderate	High	High	Extreme	Extreme





## Appendix 4. Code Amendment Process



\* Fee may be required

Source: Plan SA: [https://plan.sa.gov.au/have\\_your\\_say/code-amendments](https://plan.sa.gov.au/have_your_say/code-amendments)



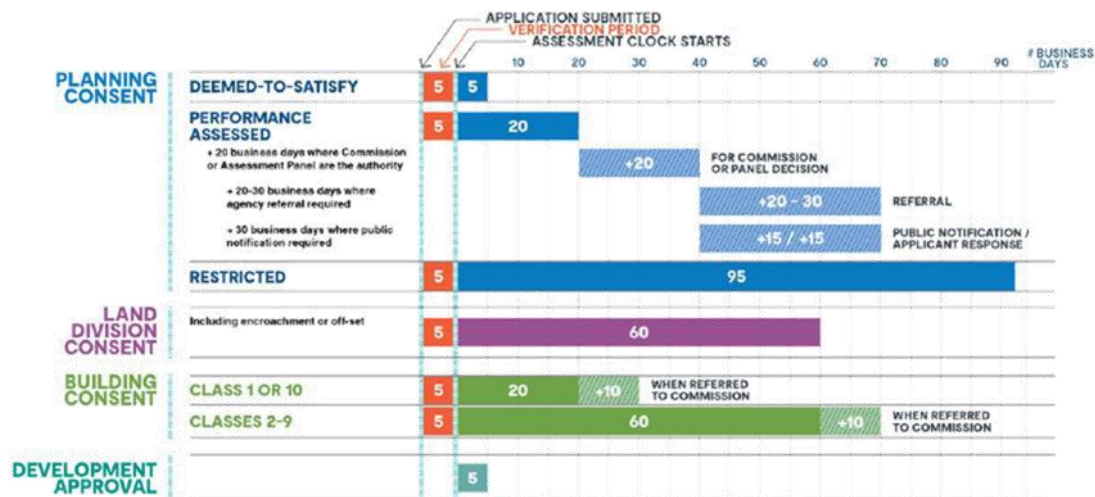


## Appendix 5. Sample testing results – Development Application verification and assessment

Audit assessed compliance with verification and assessment timeframes, required approvals, and transparency of decision making for a sample of seven development applications submitted to Council through the portal and noted all required timeframes, authorisations and minimum record-keeping requirements are met. Testing results are summarised below.

Stage	Minimum requirements in the portal	Audit observation
<b>Verification</b>	The officer is required to provide a reason for their determination and can choose from two options: 'P&D code' or 'Other', with an optional text box to provide reason details	7 of 7 - 'P&D Code' reason on file, text box not used. 7 of 7 – Verified within required timeframe (adjusted for additional information request delays).
<b>Assessment – deemed to satisfy</b>	Documenting a reason for the determination is not compulsory, but an option to upload notes is available <sup>14</sup> .	1 of 1 relevant – Assessment report uploaded. 1 of 1 relevant – Verified within required timeframe.
<b>Assessment – performance assessed</b>	Upload an Assessment Report which captures the decision-making	6 of 6 relevant – Assessment report uploaded. <ul style="list-style-type: none"> <li>▪ 1 approved by the RAP</li> <li>▪ 5 approved by Assessment Manager</li> </ul> 6 of 6 – Verified within required timeframe (adjusted for additional information request delays).

The Act provides statutory timeframes for development assessment and approval as follows:



<sup>14</sup> Plan SA 2020, Module 7.2 Guide Verify a Planning & Land Division Consent: Verification of a Development Application, URL [https://plan.sa.gov.au/data/assets/pdf\\_file/0007/699028/Module\\_7.2\\_Guide\\_-\\_Verify\\_a\\_Planning\\_and\\_Land\\_Division\\_Consent.pdf](https://plan.sa.gov.au/data/assets/pdf_file/0007/699028/Module_7.2_Guide_-_Verify_a_Planning_and_Land_Division_Consent.pdf).







## Appendix 6. Assessment of CoMG’s accreditation under the PDI Act

Under the Accredited Professionals Scheme established by the *PDI (Accredited Professionals) Regulations 2019*, those assessing the development application must be accredited. The following is a summary of the accreditation levels at CoMG.

Assessment pathway	Delegate	Accreditations for planning applications	Accreditations for building applications
<b>Deemed-to-satisfy</b>	Accredited professional	😊 2 x Level 1 accredited officers	😊 Access to Building Level 1 accredited officer as needed (consultant)  One officer has trained to achieve L1 accreditation and is finalising practical experience.  😊 Another officer has recently achieved Building Level 2 accreditation
	Assessment Manager	😊 Assessment Manager Level 1 accredited	😊
<b>Performance assessed</b>	Assessment Manager	😊 Assessment Manager (Planning Level 1)	😊 Access to consultant with Building Level 1 accreditation
	Assessment panel	😊 Panel members are accredited to Planning Level 2. One member has Planning Level 1 accreditation.	😊 One member Building Level 1 accredited; three members are Level 2 accredited.

Council is meeting the minimum PDI Act accreditation requirements, and is particularly fortunate to have two officers accredited to Planning Level 1. In addition, training one officer with Building Level 1 accreditation means that Council will be able to issue consent for all building matters.







## Appendix 7. Documents reviewed

Documentation reviewed for this audit includes but is not limited to the below:

Accredited Professionals Register - City of Mt Gambier
Administrative Principle - Enforcement of Unlawful Development - references old Act (dated 2019)
Advice of appointment to the Limestone Coast Southern Regional Assessment Panel - deputy member
AR22 57336 Signed - Section 84 Notice of Appointment Form - Limestone Coast Southern Regional Assessment Panel - various
AR22 62064 Building Fire Safety Committee Agenda - 12 09 2022
AR22 63486 Signed - Section 84 Notice of Appointment Form - Limestone Coast Southern Regional Assessment Panel – appointment forms
Authorised Officer's cards
Building Approvals Statistics 2015 - 2021
Building Fire Safety Committee - Minutes - assorted
City of Mount Gambier Risk Management Administrative Principle
Council Policy D150 Building and Swimming Pool Inspections
Council Report - Establishment of Council Building Fire Safety Committee Council 16032021
Council Resolution - Action Item - Establishment of Council Building Fire Safety Committee
Council-Policy-D150-Building-and-Swimming-Pool-Inspections
Customer Support Administration Team - Call Statistics 2023 and 2024
Development Application Register - Mt G - All development within Mt G 01.01.23 to 01.01.24
Development Services Team Structure - March 2024
Development Statistics 2023 and 2024
FW_ Land Division - Limestone Estate - Council consent to an easement
Government Gazette Notice - Limestone Coast Southern Regional Assessment Panel Notice - Page 1049 - Published 05 05 2022
Instrument A - PDI Act
Instrument B – PDI Act
Instrument C - PDI Act
Instrument D - PDI Act
L130 Land Divisions
Letter to City of Mount Gambier - Appointment of Assessment Manager - LCSRAP
Limestone Coast RAP ToR
Mt Gambier - delegations and links to online register
Organisational Chart - Corporate and Regulatory Services - February 2024
Overview - building reforms under PDI Act
PDI Accredited Professionals Regulations 2019
PDI Act 2016
Planning Building CRM's 1-1-2023 to 27-3-2024
Register - Development Team authorisations
Top 50 Development Trends For All Applications – various reports





---

## Appendix 8. Staff members interviewed

- General Manager Corporate and Regulatory Services
- Manager Development Services / Assessment Manager to Limestone Coast Southern Regional Assessment Plan
- Senior Planning Officer
- Development Services Coordinator
- Building Officer
- Manager Executive Administration
- Manager Operations and Engineering





## Disclaimers

### Inherent limitations

This report has been prepared for the information and internal use of the City of Mount Gambier in accordance with the scope and objectives outlined in the Executive Summary of this report. The services provided in connection with this engagement comprise an advisory engagement which is not subject to the Australian Auditing Standards or the Australian Standards on Review and Assurance Engagements. Consequently, no express opinions or conclusions have been drawn or intended to convey assurance. Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected.

Further, the internal control structure, within which the control procedures that have been subject to the procedures we performed operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to the 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 were on a 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.

We believe that the statements made in this report are accurate, but 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, the City of Mount Gambier's management and personnel. We have not sought to independently verify those sources. We are 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 unless specifically agreed with the City of Mount Gambier. The internal audit findings expressed 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 the City of Mount Gambier's information, and is not to be used for any other purpose or distributed to any other party without Galpins' prior written consent. This internal audit report has been prepared at the request of the City of Mount Gambier or its delegate in connection with our engagement to perform internal audit services. Other than our responsibility to City of Mount Gambier, neither Galpins nor any member or employee of Galpins undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the City of Mount Gambier's external auditor, on this internal audit report. Any reliance placed is that party's sole responsibility.



## About us



Galpins' audit/ advisory leadership team (from L to R): Tim Muhlhauser, Jessica Kellaway, Luke Williams and Janna Burnham

Galpins is a South Australian Firm. All partners and staff are residents of South Australia, and many of our suppliers are also South Australian owned. Our services are delivered from three offices located at Norwood, Stirling and Mount Gambier. We provide high quality audit, assurance, consulting and advisory services to a wide range of clients including State and local government agencies, the not-for-profit sector, superannuation funds and companies. Our Audit and Assurance team is one of the largest in South Australia.

Galpins is a preferred supplier to the South Australian Government for the provision of Audit and Financial Advisory Services. We were originally selected in August 2007 and have been the largest provider of services under this contract outside of the "Big 4" accounting firms.

Galpins has strong experience in delivering internal audit and advisory services covering performance, compliance, financial assurance, governance and strategy, as well as consulting reviews. We aim to provide a pragmatic, valuable service to our clients and work hard to deliver quality work that meets your needs. Galpins offer a strong, skilled service and our repeated work with a range of state government clients demonstrates the ongoing quality and value of these services. Examples of clients include:

- City of Holdfast Bay
- City of West Torrens
- City of Salisbury
- Local Government Finance Authority
- Auditor-General's Department
- Department Environment and Water
- Mt Barker District Council
- City of Playford
- Coorong Council
- City of Burnside
- Department Primary Industries and Resources SA (PIRsa)
- Department Premier and Cabinet

PDI Act 2016 - Post Implementation Audit

Liability limited by a scheme approved under Professional Standards Legislation

51



**5.4 QUARTERLY INTERNAL AUDIT UPDATE REPORT – REPORT NO. AR24/46781**

<b>Committee:</b>	<b>Audit and Risk Committee</b>
<b>Meeting Date:</b>	<b>29 July 2024</b>
<b>Report No.:</b>	<b>AR24/46781</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Kahli Rolton, Finance Business Partner</b>
<b>Authoriser:</b>	<b>Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services</b>
<b>Summary:</b>	<b>The purpose of this report is to provide a quarterly update on the progress of the Internal Audit Plan including actions and recommendations arising from work undertaken.</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People</b> <b>Goal 2: Our Location</b> <b>Goal 3: Our Diverse Economy</b> <b>Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage</b> <b>Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit and Risk Committee Report No. AR24/46781 titled 'Quarterly Internal Audit Update Report' as presented on 29 July 2024 be noted.





## TYPE OF REPORT

Legislative

## BACKGROUND

### 1. **Local Government Act 1999 section 126(4) – Audit and risk committee:**

*The functions of a council audit and risk committee include—*

*(g)(i) if the council has an internal audit function—*

- (A) providing oversight of planning and scoping of the internal audit work plan; and*
- (B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;*

### 2. **Audit and Risk Committee Terms of Reference** - The following section of the Audit and Risk Committee Terms of Reference (as adopted in April 2024) is relevant to this report:

**12.4 Internal Audit** (where Council has a separate internal audit function) *The Committee shall:*

**12.4.1 Monitor and Review** - *The effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.*

**12.4.2 Program** - *Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.*

**12.4.3 Reports** - *Review all reports on the Council's operations from the internal auditors.*

Aligned with **Sections 125A and 126 (4)** of the Local Government Act.

**12.4.4 Findings and Recommendations** - *Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor; and*

**12.4.5 Direct Access** - *Provide the internal Auditor with the right of direct access to the Mayor of the Council and to the Presiding Member of the Committee.*

### 3. **Internal Audit Policy** – As adopted by Council in December 2023 includes the following reporting requirements:

**9.2 Audit and Risk Committee** - *A number of reports will be brought to the Audit and Risk Committee to include the following:*

- **Individual Internal Audit Reports** - *Will be brought to the Council Executive and Audit and Risk Committee as required to detail the scope of the internal audit prior to commencement of the audit activity, with a further report to be brought to the Council Executive and Audit and Risk Committee to provide the internal audit report that will detail the findings and agreed actions.*
- **Quarterly Internal Audit Updates** – *A report that will provide an overview of the internal audit function at least on a quarterly basis.*
- **CEO Annual Report** - *on the council's internal audit processes, reporting as required with regard to the internal audit plan and proposed scope of each internal audit.*

### 4. **Audit and Risk Committee Work Program** - The adopted work program includes quarterly reports to be taken to the Audit and Risk Committee for the following meetings:

- 29 July 2024



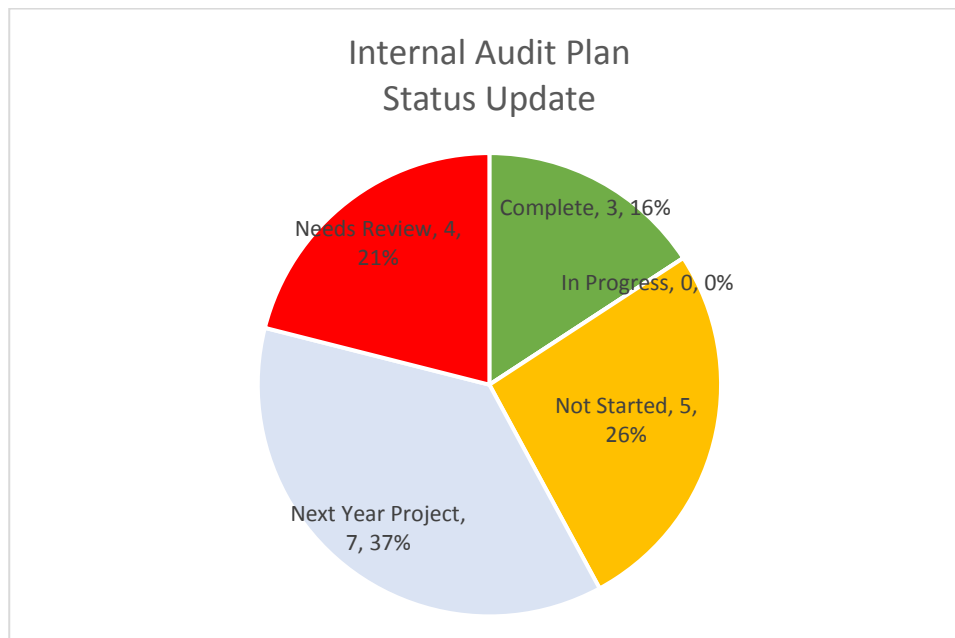


- 25 November 2024
- Meeting dates to be confirmed for 2025.

5. **Audit and Risk Committee Review and Council Adoption Of Revised Plan** - A report was taken to the Audit and Risk Committee meeting in June 2024 and Council meeting in June 2024. The purpose of the report was to provide a revised Internal Audit Plan for review by the Audit and Risk Committee prior to review and adoption by Council.

**PROPOSAL**

1. **Internal Audit Plan Progress** – Attachment 1 to this report tables in detail the 2023/2024-2025/2026 revised internal audit plan and progress against this plan. The graph below provides a high-level status update. There are 19 documented internal audit projects in total over the 3 year period, with 3 completed, 4 requiring further review, 5 not started as they are due in FY24/25 (the year has only just commenced) and 7 planned for FY25/26.



2. **Recommendations and Actions** – From the internal audits completed, Attachment 2 to this report provides a detailed table of recommendations, actions and completion dates with management commentary. The table below provides a high-level summary.

Internal Audit Project	Recommendations /Actions	Actions Complete	Actions Pending
Payroll and Remuneration	3	2	1
PDI Act	16	2	14

3. **Next Steps** - Individual Internal Audit Reports will be brought to the Audit and Risk Committee for review as they are completed. The next quarterly Internal Audit report will be brought to the Audit and Risk Committee on 25 November 2024.

**LEGAL IMPLICATIONS**

Local Government Act



**STRATEGIC PLAN**

N/A

**COUNCIL POLICY**

[Internal Audit Policy](#)

[F225 Fraud and Corruption Prevention Policy](#)

[Internal Controls Policy](#)

[Risk Management Policy](#)

**ECONOMIC IMPLICATIONS**

N/A

**ENVIRONMENTAL IMPLICATIONS**

N/A

**SOCIAL IMPLICATIONS**

N/A

**CULTURAL IMPLICATIONS**

N/A

**RESOURCE IMPLICATIONS**

**Budget Allocation** - The Internal Audit Plan 2024-2026 was created to be conducted within the current available budget (pending a procurement process). \$20k has been included in the 2024/2025 budget.

**VALUE FOR MONEY**

Some internal audits will improve Council's efficiency and effectiveness.

**RISK IMPLICATIONS**

Improved Internal Audit processes is in keeping with the Audit and Risk responsibilities and legislation and will result in improved risk management processes.

**EQUALITIES AND DIVERSITY IMPLICATIONS**

N/A

**ENGAGEMENT AND COMMUNICATION STRATEGY**

N/A

**IMPLEMENTATION STRATEGY**

N/A

**CONCLUSION AND RECOMMENDATION**

It is recommended that the quarterly Internal Audit report be noted.

**ATTACHMENTS**

1. Internal Audit Plan Actions and Recommendations 2024-2026 [↓](#)



Internal Audit Plan 2023/2024-2025/2026

(June 2024 update)

No.	Internal Audit Project	Description	Strategic Risk	Category	Resource	Status	Lead	2023/ 2024	2024/ 2025	2025/ 2026	Latest Progress update
1	Internal Audit Plan Development	Development of the Internal Audit Plan following review in 2024. This will include indicative audit scopes and links to Council's Strategic Risk Register.	All Risks	All	Internal	Complete	Manager Financial Services				Reviewed and Updated by Audit and Risk Committee June 2024
2	Penetration Testing	The objective of this testing is to identify weaknesses within the COMG internal network on an ongoing basis.	Cyber Security	Operational	External	Needs Review	Manager Organisational Development				Administration staff are working with external systems provider.
3	Incident Response Plan	Review the adequacy of the incident response plan.	Cyber Security	Operational	External	Needs Review	Manager Organisational Development				Confirmed this will be undertaken by Local Government Risk Services (LGRS) in April 2024 with reporting to be brought to Audit and Risk Committee Meeting in .....
4	Payroll & Remuneration	Review onboarding, changes to staff employment terms and exit of staff.	Financial Sustainability	Operational	External	Complete	Manager Financial Services				This is now complete. Report tabled at Audit and Risk Committee meeting July 2024.
5	Payroll & Remuneration	Broader organisation wide internal audit testing a range of current employees (excluding the employees within the scope of the above audit) against the terms and conditions of the relevant EBs, Awards and Contracts	Financial Sustainability	Operational	External	Next Year Project	Manager Financial Services				
6	Position Description & Accreditation	Review of position descriptions across the organisation to ensure that they are in date, accurate and that accreditation has been maintained by staff.	People, Workforce and Compliance	Compliance/ Legislation	Internal	Needs Review	Manager Organisational Development				Initial meeting held with preferred provider to work through the proposed scope and timing at a high level. Audit expected to be undertaken in April 2024. ....did this happen?
7	PDI Act 2016 - Post Implementation Audit	Review of processes and organisational compliance further to the implementation of the PDI Act 2016.	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	External	Complete	Manager Financial Services				This is now complete. Report tabled at Audit and Risk Committee meeting July 2024. 16 recommendations tabled.
8	Data Protection & Privacy	The review will assess the design of Council's process for compliance with relevant privacy legislation and testing the operating effectiveness of key controls such as data management, data storage, privacy breach response and management.	Cyber Security	Compliance/ Legislation	Internal	Not Started	Manager Organisational Development				
9	Management of Leave Entitlements	Review of staff leave entitlements focusing liabilities, and effectiveness of administrative principles and procedures.	People, Workforce and Compliance	Compliance/ Legislation	Internal	Not Started	Manager Organisational Development				
10	Legislated Training	Review of completion of legislated training across the organisation.	Safety Compliance and WHS Management	Compliance/ Legislation	Internal	Next Year Project	Manager Organisational Development				
11	Workers Compensation Process	Review of effectiveness of administrative principles and procedures.	Safety Compliance and WHS Management	Compliance/ Legislation	External	Needs Review	Manager Financial Services				
12	Fraud Prevention	Review the effectiveness and completeness of Council's framework (gap analysis vs standard, roles, responsibilities, policies and procedures and internal training and awareness).	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	External	Not Started	Manager Financial Services				



13	Council Policies	Review of Council policies ensuring alignment with the "Better Practice model" and legislation.	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	Internal	Not Started	Manager Governance and Property		
14	Grants Management	Review of Council's 'Cradle to Grave' grants process from strategy to acquittal.	Financial Sustainability	Strategic	External	Next Year Project	Manager Financial Services		
15	Investigations	Review of investigation procedures.	Safety Compliance and WHS Management	Compliance/ Legislation	External	Next Year Project	Manager Organisational Development		
16	Project Health Check	This review will include an assessment of a project's management mechanisms, governance structure, project team roles and responsibilities, and project status reporting mechanisms.	Major Infrastructure	Strategic	External	Next Year Project	Manager Financial Services		
17	Legislative Compliance	Assessment of CDMG's legislative compliance work plan, auditing one act at a time with actions monitored and managed by Council Staff.	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	External	Next Year Project	Manager Governance and Property		
18	Procurement	Assessment of compliance with the exemption from competitive process framework.	Financial Sustainability	Compliance/ Legislation	Internal	Not Started	Manager Financial Services		
19	Contract Management	Compliance with delegation register throughout the contract management life cycle.	Financial Sustainability	Compliance/ Legislation	Internal	Next Year Project	Manager Financial Services		

Future Iterations

20	Plant and Fleet				External		Manager Financial Services		Per ARC Resolution 5.10 Draft Revised Internal Audit Program COMMITTEE RESOLUTION Moved Alexander Brown Seconded Mayor Lynette Martin 3. That plant and fleet be subject to a future internal audit in a later iteration of the Internal Audit program.
----	-----------------	--	--	--	----------	--	----------------------------	--	---

<b>Legend</b>		<b>19</b>
<b>Complete</b>	Internal audit complete. Actions and recommendations arising from the audit may not yet be complete. These will be monitored separately.	3
<b>In Progress</b>	progress has been made towards the internal audit. This could include a number of stages including scoping of works, select RFQ, appointment of an external consultant or that the internal audit itself is currently being undertaken.	0
<b>Not Started</b>	Planned internal audit not yet started, but still within anticipated time frames for the current financial year.	5
<b>Next Year Project</b>	Planned internal audit not yet started as is planned for a future financial year.	7
<b>Needs Review</b>	planned internal audit requires review to bring back on track. Plan may require updating pending review. Elements of the internal audit could be on track and some elements may be off track or require updating.	4



Recommendations and Actions

Payroll and remuneration processes		Risk Rating	Lead	Status	Completion Date	Comments
1a	The Council's Administrative Principle Risk Management was issued in June 2022 and is noted on the document as due for review in June 2023. This document is overdue for review.  We note that the Council adopted a reviewed Risk Management Policy in June 2024	Moderate	General Manager Corporate and Regulatory Services	Completed	Jun-24	The Risk Management Policy was reviewed by the Audit and Risk Committee and adopted by Council in June 2024.
1b	The Administration Procedure – Acting Arrangements and Higher Duties Allowance, provides guidance on the processes for higher duties but also extracts from EBs and Awards. It does not include Mixed Functions for field staff which has different provisions for payment at higher classifications. A procedure should extract all components from a Relevant Award or EB but be kept updated whenever those change or instead refer to the relevant Clause Numbers of the Award or EB.	Moderate	Manager Organisational Development	In Progress	Dec-24	Administration Principle is being reviewed and is scheduled to be updated by the end of the calendar year.
2	One contract was signed manually by the employee and not signed by a witness. Two contracts were not signed by the CEO. One contract was signed by the CEO and employee via Adobe Sign; the witness box remains on the document and is unsigned. An employment contract does not need a witness when signed securely, such as using Adobe Esign, but if the Council is not going to use a witness, the witness box should be removed. We note that the latest contracts did not have a witness box. The Council also now uses Adobe Esign to electronically sign their employment contracts. This process ensures that all parties sign the contract and initial each page.  The Contract with the missing CEO signature should be addressed.	Low to Moderate	Manager Organisational Development	Completed	Jul-24	The contracts with the missing CEO signature had a letter of offer which is issued by the CEO.  One of the contracts that was not signed by the CEO covers terms and conditions within the EB.  The other contract that was not signed by the CEO will be addressed as the terms and conditions fall outside of the EB



Recommendations and Actions

PDI Act	Risk Rating	Lead	Status	Completion Date	Comments
1 Consider and confirm the Council's short-term intent in relation to city planning and the use of code amendments.	Moderate	Manager Development Services	Not Started	Mar-25	Council intends to wait for the finalisation of the Limestone Coast Regional Plan before commencing code amendment work. Completion date: First Qtr of 2025 - Noting Council's Budgetary Restraints - No Budget allocation for 24/25 FY Awaiting finalisation of Regional Plan to guide future code amendments.
2 Review whether the Planning Team have sufficient capacity and resources to lead Council-initiated code amendments, and/or respond to externally driven code amendments.	Moderate	General Manager Corporate and Regulatory Services	In Progress	Jul-25	Service reviews and workforce planning project will commence in first quarter of 2024-25. Summary findings will be presented to the Audit and Risk Committee upon completion.
3 Prioritising human resourcing for the Planning Team.	High	Manager Development Services	Completed	Jul-24	Addressing via para planner / additional administration support. Para Planner position filled in mid-June 2024.
4 Consider ways to reduce the workload associated with lower-level customer requests on the Development Services team.	High	Manager Development Services	In Progress	Sep-24	Para Planner commenced June 2024, Admin assistance currently being finalised, Para planner will commence work on FAQ's in conjunction with other officers in August 2024
5 Re-introduce regular, recurrent scheduled meetings between Development Services and Operations & Engineering teams and other stakeholders.	Moderate	Manager Engineering Design & Assets	Needs Review	Jul-24	Meetings scheduled as required.
6 Conduct a mapping exercise to document/confirm roles and responsibilities between the Development Services and City Infrastructure teams.	Moderate	Manager Engineering Design & Assets	Not Started	Dec-24	Will be impacted by proposed legislative changes.
7 Consider how CoMG could influence planning and development activity by more proactively engaging with external stakeholders at the pre-planning stage, where applicable.	Moderate	ELT to determine	Not Started	Dec-24	Guidance Development: Develop comprehensive guidance documents outlining CoMG's preferred positions on key elements of development plans. This should include clear explanations of requirements under relevant legislation like the Planning and Development Infrastructure (PDI) Act.  Best Practice Outcomes: Define CoMG's views on best practice outcomes for holistic planning considerations such as storm water management, established tree retention, streetscape enhancement, and heritage character preservation. This can be communicated through guidelines, policy statements, or informational materials provided to developers.  Subject Matter Expert Availability: Identify and designate CoMG subject matter experts who can assist developers with inquiries at the pre-planning stage. Ensure that these experts are accessible and responsive to developers' needs, providing guidance and expertise to help align projects with CoMG's objectives and regulatory requirements.  Stakeholder Engagement Platforms: Establish platforms or forums for regular engagement between CoMG representatives and external stakeholders, including developers, community groups, and industry associations. These platforms can facilitate dialogue, exchange of ideas, and collaboration on planning and development initiatives.  Education and Awareness Programs: Conduct educational programs and outreach activities to raise awareness among developers and other stakeholders about CoMG's priorities, policies, and expectations regarding planning and development. This can include workshops, seminars, and informational materials disseminated through various channels.
8 Increase capacity to perform important higher-risk compliance and enforcement actions.	Moderate	Manager Development Services	Not Started	Jun-25	Prioritize Compliance Actions: Evaluate the current workload of Class 1 building inspections and identify areas where resources can be reallocated. Prioritize higher-risk compliance and enforcement actions over routine inspections to focus efforts on addressing outstanding issues.  Training and Delegation: Provide comprehensive training to select administrative support staff to handle lower-level tasks typically performed by Building Officers. Assign responsibility for tasks such as following up with developers/building owners, data reporting, and customer service provision.  Streamlining Processes: Identify opportunities to streamline compliance and enforcement processes to improve efficiency. This may include leveraging technology for streamlined communication with stakeholders.





9	Consider engaging external consultants to assist with backlogs in class 2-9 building inspections.	Moderate	Manager Development Services	Completed	TBA	Backlog of inspections have been completed.
10	Ensure that Council's latest/updated published Delegations Register is available on the public website.	Low	Manager Governance and Property	Completed	Jul-24	
11	Work to ensure that members of the Limestone Coast Southern Regional Assessment Panel have clarity around responsibility for maintaining/updating relevant delegations.	Low	Manager Governance and Property	Needs Review	Jul-24	
12	Develop a pragmatic approach to periodically confirming that Development Services officers' delegations are up to date, correct and that officers have signed acceptance of these delegations.	Low	Manager Governance and Property	Not Started	Aug-24	
13	The BFSC consider developing a proactive approach to inspecting higher-risk buildings.	Low	Manager Development Services	Not Started	Dec-24	dependant on adequate resourcing. Final result to be reported back to Audit and Risk Committee.
14	Review and update CoMG's complaint handling policy with respect to PDI Act obligations.	Low	Manager Governance and Property	In Progress	Aug-24	Council are in the process of updating the Request for Service and Complaints Policy
15	Consider monitoring trends of community feedback/complaints to assist continuous improvement.	Low	Manager Organisational Development	Not started	Dec-24	Set up a regular schedule for analysing community feedback and complaints data. This could be done monthly, quarterly, or annually, depending on the volume of feedback received. Analyse the data to identify recurring issues, trends, and areas for improvement. Based on the analysis of feedback and complaints data, identify specific areas within development services that require improvement. Look for patterns or common themes in the feedback to pinpoint areas where changes or adjustments may be needed. Develop action plans to address the identified improvement opportunities.
16	Reconsider the need to continue maintaining the Land Division and Building and Swimming Pool inspection policies, and either revoke them or update them to ensure consistency with legislation.	Low	Manager Engineering Design & Assets	In Progress	Sep-24	The Land Division Policy is currently under review by the infrastructure team. The Building and Swimming Pool inspection can be revoked



**5.5 LEASE AND LICENCE UPDATE - JULY 2024 – REPORT NO. AR24/49333**

<b>Committee:</b>	<b>Audit and Risk Committee</b>
<b>Meeting Date:</b>	<b>29 July 2024</b>
<b>Report No.:</b>	<b>AR24/49333</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Michael McCarthy, Manager Governance and Property</b>
<b>Authoriser:</b>	<b>Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services</b>
<b>Summary:</b>	<b>This report provides an update on leasing and licensing of Council properties.</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People</b>
	<b>Goal 2: Our Location</b>
	<b>Goal 3: Our Diverse Economy</b>
	<b>Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage</b>
	<b>Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit and Risk Committee Report No. AR24/49333 titled 'Lease and Licence Update - July 2024' as presented on 29 July 2024 be noted,



## TYPE OF REPORT

Corporate

## BACKGROUND

At the June 2023 Audit and Risk Committee Meeting, the Committee requested that a progress report regarding leases/licences (and mandatory policies) be brought back every 6 months.

Lease and Licence update reports were provided to the November 2023 and April 2024 Audit and Risk Committee meetings, with the next 6 monthly update report due in October 2024.

The April 2024 update report noted a proposed methodology for the renewal of leases and licences, in conjunction with the preparation and implementation of a considered Strategic Property Management Project Plan, that the renewal of leases/licences in the short-medium term will be guided by an order of priority endorsed by Council, as follows:

- *Sites identified as priority for master planning Yr1/Yr2 – renewal deferred until complete*
- *Sites identified for master planning in Yrs3-4 – renewal prioritised for granting 3-5year terms*

In receipt of the April 2024 update report from the Audit and Risk Committee Council subsequently resolved as follows at it's April meeting:

2. That Council's resolved position of '*a strategic approach to property management issues guided by a Sport, Recreation and Open Space Plan and associated site/precinct/property category master plans including Tourism Assets Master Plan and Blue Lake Sports Park Master Plan*', be noted.
3. That the renewal of 'holding over' leases and licences occur, following Council's prioritisation of strategic site/precinct master planning to be conducted over the coming years, and taking into account other relevant factors, be noted.

Further, in consideration of master plan options, also at the April 2024 meeting, Council resolved:

2. That Council determines a priority order of master plans for the following sites:
  - Vansittart Park
  - Umpherston Sinkhole / Balumbul
  - Olympic Park
  - Hastings Cunningham Reserve

Following this master plan prioritisation it has been necessary to review the resulting implications for lease and licence renewals.

Subsequently, at the June 2024 Audit and Risk Committee meeting, in consideration of the Risk Management Report January - March 2024, a request was made for an update on leases and licences and policy reviews to the July Audit and Risk Committee.

This report provides the requested lease and licence update, noting that it is a 3 monthly rather than a 6 monthly report as previously requested and resolved.

## PROPOSAL

As set out in the background, a review of the renewal implications for 'holding over' leases and licences has been necessary following Council's formal prioritisation of master plans and the proposed renewal methodology anticipated in conjunction with that prioritisation.

Council has prioritised Vansittart Park and Umpherston Sinkhole / Balumbul for master planning in Yrs 1/2. At the current time Council has only one 'holding over' tenancy between these two sites, being the Annual Seasonal Licence for North Gambier Football Club.

The proposed methodology for lease and licence renewal being to defer renewal of tenancies associated with sites prioritised for master planning in Yr 1/2, and prioritising the renewal of tenancies



for 3-5 years terms for sites identified for master planning in Yrs 3-4 (or not otherwise identified for master planning in the medium term).

The resultant outcome is that ALL of Council's tenancies that are currently 'holding over' are effectively now prioritised for renewal.

The earlier update report and Council resolution also note that renewal of 'holding over' leases and licences occur 'taking into account other relevant factors'. The relevant contributing factors for the renewal of certain leases and licences were identified in the earlier report as including, in some cases combinations of, the following:

- *pending Crown Land dedication*
- *pending review/adoption of Community Land Management Plan (inc. leasing/licencing, use)*
- *adoption/direction in other guiding documents/plans (e.g. Crater Lakes Activation Plan/Tourism Assets Master Plan/Visitor Servicing Model)*
- *review of tenants operating/governance model/constitution*
- *status of unsolicited proposal/s*
- *other site/precinct/asset and tenant activities/matters*

The prioritisation of master planning and the adoption of a lease and licence renewal methodology does not, on its own, resolve these other contributing factors.

A review of leases and licences that are 'holding over' and due to expire in the coming 6 months has identified the following as capable of being renewed as a short-term priority:

- 14 'holding over' community tenancies comprising:
  - 10 community shed and 2 sporting club tenancies at Hastings Cunningham Reserve
  - 1 sporting club tenancies at Malseed Park
  - 1 community tenancy at 'The Stables'
- 5 community tenancies with expiry dates over the coming 6 months.

Letters have been sent to each of the 14 'holding over' tenancies to advise Council's intentions, including that draft lease or licence documentation will be prepared and provided in due course. Several of the Hastings Cunningham Reserve tenancies are located on a Crown Land which require Crown Land (Ministers) approval and inclusion of any Crown requirements or conditions, which approval and requirements will be followed up as a pre-condition to lease or licence renewal.

Of the remaining 'holding over' leases and licences, the previous update report included a table listing the number of tenancies for which lease or licence renewal is affected by other contributing factors. This table is updated as follows:

<b>Contributing Factor</b>	<b>No. of leases/licences affected</b>	<b>Other Comments</b>
pending Crown Land dedication	1	Lake Terrace West Cemetery
Adoption/update of community land management plan(s)	13	Includes CLMP's for the following: - Crater Lakes (inc. Marist Park) - Olympic Park - Frew Park - Corriedale Park
Other tenancy related matters	10+	Including: - Constitution/governance/operating model review - Unsolicited proposals - Consolidation of multiple licences into single licence - Other tenant obligations - BLSP Implementation Plan



Whilst these varying contributing factors remain unresolved Council is not in a position to negotiate or grant renewed leases or licences for these premises or tenancies.

In particular, where there are identified deficiencies with the relevant community land management plan, (i.e., not sufficiently providing for leasing or licensing for the proposed purposes) Council is constrained from granting renewed lease or licence arrangements notwithstanding that such arrangements have previously been granted.

Accordingly, of some 36 leases and licences currently 'holding over' (not including sub-tenants and expired/non-renewed tenancies), 14 may be progressed for renewal (some subject to Crown Land/Ministers consent and conditions) whilst the remaining 22 require other bodies of work to be undertaken to resolve the other contributing factors before they may be renewed

These are matters to be addressed in a Strategic Property Management Project Plan for which organisational planning, resourcing and actions are necessary.

## **LEGAL IMPLICATIONS**

Leasing and licensing of community land must be conducted in accordance with the relevant provisions in the Local Government Act 1999 (and other relevant legislation relating to leasing and licensing, e.g. Retail and Commercial Leases Act).

Community land leasing/licensing arrangements must be in accordance with the provisions of relevant Community Land Management Plans, guided by and consistent with the master planning of open spaces and precincts that help give effect to Council's Objects, Role, Functions and Principles set out in sections 3, 6, 7 & 8 of the Act.

## **STRATEGIC PLAN**

Council's strategic approach to property management and other planning activities are consistent with and contribute to the goals in Council's Strategic Plan 2020-2024, including:

### Our People

1.1.4 Improve our accommodation offering for community groups, whilst reducing total number of Council managed facilities, including investigations into a community group hub (complementary to the Community and Recreation Hub), the co-location of community groups and future sharing of facilities [Service Provider (Direct)].

1.2.2 Helping community groups to help themselves by providing support for effective networks to develop and grow [Partnership].

### Our Location

2.1.1 Working with the community to ensure our CBD, health and education precincts, our streets and our public spaces are safe, inviting and support a positive image of the City of Mount Gambier [Owner / Custodian, Information Provider / Promoter and Partnership].

2.1.3 Consolidating, upgrading and seeking funding for a number of walking and cycling trails throughout the city, including the Rail Trail and the Crater Lakes precinct [Owner / Custodian, Advocate, Partnership].

2.1.4 Regularly reviewing and updating Council's Asset Management Plans for each asset category [Owner / Custodian].

2.1.5 Providing efficient visitor services by making tourism information access easier and more relevant [Service Provider (Direct) and (Indirect)].

2.3.1 Understand our role in tourism and develop an aspirational masterplan for the Crater Lakes area enabling us to share a vision with the community and other key stakeholders [Initiator / Facilitator, Advocate, Owner / Custodian].

2.4.4 Work in partnership with our sporting clubs to improve their sporting and clubhouse facilities and to help them take advantage of accommodation opportunities for groups [Partnership, Advocate, Owner / Custodian].



4.2.1 Prepare a Sport, Recreation and Open Space Strategy and masterplans for our key reserves enabling effective and efficient multiple uses and the improvement of facilities [Service Provider (Direct), Owner / Custodian].

Council's Sport, Recreation and Open Space Strategy identifies priorities and principles to which a strategic approach to property management contributes:

- Our open spaces will be well distributed, safe and accessible by everyone in our community, regardless of where they reside or frequent within the city.
  - Develop multipurpose facilities at each open space site that cater for a range of activities.
  - Develop Master Plans for key recreation and sporting sites across the City such as Hastings Cunningham Reserve, Olympic Park, Malseed Park, Vansittart Park, Don McDonnell Reserve, Frew Park, McDonald Park and the Rail Lands and Rail Trail.
- Our sport and recreation facilities will be nonexclusive, fit for purpose and share resources to reduce the burden on our volunteers.
  - Increase the diversity of sport and recreation opportunities in parks and reserves especially for those sports that currently do not have a home ground.
  - Co-locate active recreation facilities with existing recreation opportunities such as playspaces and playing fields.
  - Identify opportunities to incorporate unique facility components into multipurpose design.
  - Partner with peak bodies, clubs, community organisations and private operators to deliver sport and recreation opportunities targeting new participants in parks and reserves.
- We will strive for our spaces to reflect the principles of universal design by promoting physical access for all abilities and genders.
  - Address gaps in female friendly change facilities in our sporting open spaces in partnership with the local sporting clubs and State Sporting Organisations.
- Local stories, heritage and culture are considered and interpreted through design, strengthening our identity and fostering community ownership and pride of place.
  - Reflect the diverse community of Mount Gambier in the naming or renaming of open space and recreation facilities (for example, new facilities named for local persons or reflecting local cultures and languages).
- Provide unique play experiences including youth spaces that are attractive to a range of ages.
- Responsive and sustainable management practices of open space across the City.
  - Review and establish new service standards to better reflect use, profile and hierarchy of open space.
  - Deliver a best practice design manual for new and existing open space to advocate for the delivery of high quality spaces.
  - Seek funding opportunities for sport, recreation and open space developments from new and existing sources.

## **COUNCIL POLICY**

Council's [R200 – Community Land \(Reserves\) Lease/:Licence/Rental Arrangements Policy](#) relates to leases and licences (and in some cases grounds maintenance) of community land, subject to the Council resolution committing to a strategic approach to property management issues, and other relevant legislative and regulatory provisions including those relating to fees and charges.

## **ECONOMIC IMPLICATIONS**

N/A

## **ENVIRONMENTAL IMPLICATIONS**

N/A





## **SOCIAL IMPLICATIONS**

Whilst Council's community/sporting leases and licences have social implications, there are no recommendations or actions arising from this update report that have any social implications, with community/sporting tenants 'holding over' on the same terms and conditions.

## **CULTURAL IMPLICATIONS**

N/A

## **RESOURCE IMPLICATIONS**

The main direct resourcing issues associated with the renewal of leases and licences is in the preparation of documents and negotiation/execution, which can be managed over time within current resourcing.

However, this does not address any resulting resources that may arise from tenant expectations in the process of renewing a lease/licence. However, the standard terms and conditions of Council's community/sporting leases and licences place primary responsibility for leased/licensed premises upon the tenant in recognition of/exchange for the 'community' or 'peppercorn' nature of the rent.

Further, the above does not include any further organisational resourcing to address other bodies of work, such as redrafting and public consultation to update community land management plans, review of constitution and governing/operating models, and the preparation, adoption and implementation of property management frameworks and supporting policy amendments.

These resourcing matters are to be addressed in a Strategic Property Management Project Plan.

## **VALUE FOR MONEY**

As above for Resource Implications

## **RISK IMPLICATIONS**

The use of 'holding over' provisions as contained in standard lease and licence agreements manages the legal risk of leases/licences 'expiring' with no continuing contractual arrangements, with the resulting 'monthly tenancies' being on the same terms and conditions as the original lease, in the same manner as a renewal term.

The community and political risk associated with 'holding over' provisions lies in the security of tenure for sporting/community tenants.

## **EQUALITIES AND DIVERSITY IMPLICATIONS**

N/A

## **ENGAGEMENT AND COMMUNICATION STRATEGY**

An engagement/communication strategy may be prepared to address the prioritisation of master planning and lease/licence renewal directly with affected tenants/stakeholders.

## **IMPLEMENTATION STRATEGY**

As set out in the proposal, implementation of lease/licence renewals is proposed on a priority basis inversely aligned with the Council's priorities for strategic master planning of sites/precincts.

## **CONCLUSION AND RECOMMENDATION**

Further updates are to be provided to the Audit and Risk Committee on a six-monthly basis.

## **ATTACHMENTS**

Nil



**5.6 COUNCIL POLICY UPDATE – REPORT NO. AR24/49733**

<b>Committee:</b>	<b>Audit and Risk Committee</b>
<b>Meeting Date:</b>	<b>29 July 2024</b>
<b>Report No.:</b>	<b>AR24/49733</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Michael McCarthy, Manager Governance and Property</b>
<b>Authoriser:</b>	<b>Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services</b>
<b>Summary:</b>	<b>This report provides an update on the review of Council Policies.</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People</b>
	<b>Goal 2: Our Location</b>
	<b>Goal 3: Our Diverse Economy</b>
	<b>Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage</b>
	<b>Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit and Risk Committee Report No. AR24/49733 titled 'Council Policy Update' as presented on 29 July 2024 be noted.



**TYPE OF REPORT**

Corporate

**BACKGROUND**

At the June 2023 Audit and Risk Committee Meeting, the Committee requested that a progress report regarding mandatory policies (and leases/licences) be brought back every 6 months.

Policy update reports were provided to the November 2023 and April 2024 Audit and Risk Committee meetings, with the next 6 monthly update report due in October 2024.

The April 2024 update report noted that, as at March 2024, 25 of Council’s 84 policies require review and updating, including 4 identified as mandatory policies, with a further 6 policies falling due for review between March and 1 July 2024.

In consideration of the Policy Review update report at it’s April meeting Council resolve:

- 2. *That the Council Administration conduct periodical reviews of Council policies to ensure compliance with legislative requirements, with the aim of presenting for consideration any other policies to Council at least once during the Council term.*

Subsequently, at the June 2024 Audit and Risk Committee meeting, in consideration of the Risk Management Report January - March 2024, a request was made for an update on policy reviews (and Leases and Licences) be presented to the July Audit and Risk Committee.

This report provides the requested policy review update, noting that it is a 3 monthly rather than a 6 monthly report as previously requested and resolved.

**PROPOSAL**

The April Policy Review update report to the Audit and Risk Committee provided the following listing of mandatory policies under the *Local Government Act 1999*:

Mandatory Policy	Section of Local Government Act 1999	Council Policy Adopted / Last Reviewed
Prudential Management	section 48(aa1)	September 2023
Procurement	section 49(a1)	December 2023
Contracts and Tenders	section 49(1)	(included in s49(a1) policy)
Public consultation	section 50	April 2020 (pending State Govt Community Engagement Charter/ LGA Policy Template following 2021 LG Reform)
Member Training and Development	section 80A	November 2022
Rating Policies	section 150	June 2023
Internal Controls	section 125(1)	September 2023
Risk Management	section 125(3)	June 2024
Road and Place Naming	section 219(5)	March 2024
Order Making	section 259	May 2024
Behaviour Management	section 262B	September 2023
Internal Review of Council Actions and Complaint Handling	section 270(a1)	March 2017 (pending updated LGA Policy Template following 2021 LG Reform)
Caretaker	section 91A (Elections Act)	January 2022

Noting that the above table does not include policies as may be required under other legislation, nor does the list include other ‘policy like’ documents such as Codes, Charters, Plans, Registers etc as are required to be maintained under the *Local Government Act 1999* and other legislation.



As may be seen from the above (updated) table, all mandatory policies required by the *Local Government Act 1999* are in place and have been reviewed in the current Council term with the exception of:

- Public Consultation Policy - pending the completion of a Community Engagement Charter by the State Government and the development/update of a Template/Model Policy by the Local Government Association, necessitated by local government reform changes in 2021.
- Internal Review Policy - pending the development/update of a Template/Model Policy by the Local Government Association, necessitated by local government reform changes in 2021.
- (Election) Caretaker Policy - last reviewed in January 2022 leading into the November 2022 local government elections, and next scheduled for review in January 2026 leading into the November 2026 local government elections.

Since the last policy review update provided in March 2024, policy reviews have been conducted as follows:

*April 2024*

- *nil*

*May 2024*

- *Grants and Sponsorship Policy*
- *D230 Donations Authority to Approve Requests (rescinded)*
- *O110 - Order Making*
- *R180 - Records Management*
- *Library Collection Development (new)*
- *H120 - Historical Matters – Collection (rescinded)*
- *H125 - Historical Matters - Copyright - Les Hill Collection (rescinded)*

*June 2024*

- *R105 Rating Policy*
- *R155 Rate Rebate Policy*
- *R130 Rates General Matters (rescinded)*
- *Asset Accounting Policy*
- *Risk Management*

*July 2024*

- *Public Interest Disclosure Policy*

Accordingly, as at end of July 2024 16 of Council's 79 policies remain for review/updating, including the abovementioned 3 identified as mandatory policies.

A further 2 policies have their scheduled review date falling between now and January 2025 when the next six-monthly policy review report is due for presentation to the Audit and Risk Committee. Only 8 further policies will fall due for review during the remainder of the current Council term until November 2026, with the exception of policies that are reviewed annually.

It is important to note that, whilst good practice to review policies on a periodic basis, particularly where they have been identified with a scheduled 'review date', the passing of such arbitrary dates is not fatal to the application of a policy unless it is specifically designated as a 'sunset date' or the policy lapses in accordance with some legislative provision.

Indeed, as set out in the Background above, Council resolved in April 2024 that, with the exception of policies that require review with some statutory prescribed frequency or date/period, the Administration conduct periodical reviews of Council policies with the aim of presenting for consideration at least once during the Council term.



On this basis, notwithstanding that an arbitrary review date may be contained in a policy, any policy should only be considered as being overdue for review if a statutory review requirement has not been met, the last review was conducted prior to the election preceding the election at the commencement of the current Council term i.e. a policy only being overdue in the current 2022-2026 term if the last review pre-dates the November 2018 local government elections, provided it is reviewed before (the caretaker period for) the November 2026 local government elections.

### **LEGAL IMPLICATIONS**

The *Local Government Act 1999* and other Acts require Council to adopt certain 'mandatory' policies. Except where prescribed there is no legislative requirement to review policies with any particular frequency or time period, however it is good practice and Council has resolved to review each policy at least once during the Council term i.e. during the period November 2022 to November 2026 (noting the election caretaker period commencing in August/September 2026).

### **STRATEGIC PLAN**

N/A

### **COUNCIL POLICY**

N/A

### **ECONOMIC IMPLICATIONS**

N/A

### **ENVIRONMENTAL IMPLICATIONS**

N/A

### **SOCIAL IMPLICATIONS**

N/A

### **CULTURAL IMPLICATIONS**

N/A

### **RESOURCE IMPLICATIONS**

N/A

### **VALUE FOR MONEY**

N/A

### **RISK IMPLICATIONS**

The review of policies does not of itself manage risk, except where there is a requirement to review within a certain timeframe.

However the continual periodic review of policy provisions to ensure their currency assists with managing relevant risks.

Similarly, in circumstances where the risk of adopting policy that is at variance to legislative requirements, there is a risk in the premature review of policy ahead of other supporting resources, as is the case with the public consultation and internal review policies which are pending the release of the State Governments Community Engagement Charter and LGA Template/Model Policy.

### **EQUALITIES AND DIVERSITY IMPLICATIONS**

N/A

### **ENGAGEMENT AND COMMUNICATION STRATEGY**

N/A



**IMPLEMENTATION STRATEGY**

N/A

**CONCLUSION AND RECOMMENDATION**

Further updates are to be provided to the Audit and Risk Committee on a six-monthly basis.

**ATTACHMENTS**

Nil





**5.7 2023/2024 EXTERNAL AUDIT INTERIM MANAGEMENT REPORT – REPORT NO. AR24/50401**

<b>Committee:</b>	<b>Audit and Risk Committee</b>
<b>Meeting Date:</b>	<b>29 July 2024</b>
<b>Report No.:</b>	<b>AR24/50401</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Kahli Rolton, Acting Manager Financial Services</b>
<b>Authoriser:</b>	<b>Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services</b>
<b>Summary:</b>	<b>To formally table the 2023/2024 external audit interim management report as provided by Dean Newbery.</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People</b>
	<b>Goal 2: Our Location</b>
	<b>Goal 3: Our Diverse Economy</b>
	<b>Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage</b>
	<b>Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit and Risk Committee Report No. AR24/50401 titled '2023/2024 External Audit Interim Management Report' as presented on 29 July 2024 be noted.
2. That having been reviewed by the Audit and Risk Committee on 29 July 2024, the 2023/2024 External Audit Interim Management Report be adopted.



## TYPE OF REPORT

Corporate

## BACKGROUND

### 1. **Local Government Act 1999 sec 129 Conduct of audit (partial extract)-**

- (3) The auditor must provide to the council—
  - (a) an audit opinion with respect to the financial statements; and
  - (b) an audit opinion as to whether the controls audited under subsection (1)(b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.
- (4) The auditor must also provide to the council written advice on particular matters arising from an audit.

2. **Interim Audit Visit** – Was undertaken by Dean Newbery and Partners in May 2024.

3. **Introduction to New Format** – A new format has been introduced by Dean Newbery where risk ratings are no longer included. A Letter from the CEO was requested to provide responses to the recommendations raised.

4. **Memorandum** – To allow increase time for review, the 2023/2024 External Audit Interim Management Report was emailed to members of the Audit and Risk Committee, 3 July 2024.

## PROPOSAL

1. **Interim Audit key issues:** Attachment 1 to this report includes a copy of the External Audit Interim Management Report. Below is a brief summary of the 4 key audit issues observed.

- I. **Financial Delegation Controls** – Risk that 5 officers within the finance team have ability to change their own financial delegation without prior and/or secondary approval to beyond their own endorsed financial delegation. Recommendation to restrict ability to amend financial delegation to the IT department or implement additional system controls which requires 2 independent authorisers.
- II. **Caroline Landfill Provision Valuation** – Request to document methodology behind provisions and ensure valuation of landfill liability suitably certified. Recommendation that the Audit and Risk Committee should be kept informed of the progress of the review being completed and estimated final impact to the operations of Council.
- III. **Asset Valuations** – No issues found with integration to Council Asset Registers. Recommendation to update Strategic Plans with revised assumptions. Commendation for efforts of Council Administrators to ensure completed early in the financial year.
- IV. **Internal Capitalised Costs** – Previous audit issues addressed with a complete review of plant hire rates, full cost attribution, internal labour hire rates inclusive of overheads and capital wage overhead allocation having been undertaken for the first time since 2019. Recommendation to update across all Council's strategic plans and ensure ongoing review is regularly performed.

2. **Interim Management Response:** Attachment 1 to this report provides a copy of Council's response incorporating:

- I. **CEO Letter** – Provides a response to the four key issues raised in summary.
- II. **Council Administration Response** – Provides detailed response, estimated completion dates and current status of actions against the external auditor's key issues. Of the 4 key issues raised, 3 are partially complete and 1 is not yet started.



## **LEGAL IMPLICATIONS**

N/A

## **STRATEGIC PLAN**

Council's Strategic Plans, including Long Term Financial Plan (LTFP) and Asset Management Plans require updating to reflect changes in regards to Caroline Waste Provision and internal capitalised costs. Asset valuations have already been incorporated.

## **COUNCIL POLICY**

Councils Internal Controls Policy requires updating to reflect changes implemented in relation to financial delegations.

## **ECONOMIC IMPLICATIONS**

N/A

## **ENVIRONMENTAL IMPLICATIONS**

N/A

## **SOCIAL IMPLICATIONS**

N/A

## **CULTURAL IMPLICATIONS**

N/A

## **RESOURCE IMPLICATIONS**

Caroline Waste Provision – financial impacts to budget need to be realised and modelled in future versions of the LTFP. For FY23/24 a budget decrease of \$475k depreciation for cell 4A was incorporated in revision 3 on the basis that the current open Cell was continuing to be filled and reached conceptual height later than originally projected.

Asset Valuations – resulted in increases to fair values and subsequent increases to depreciation of approx. \$225k for infrastructure valuation and \$304k for building and structures valuation for FY23/24.

Internal Capitalised Costs – the FY24/25 budget has already prepared based on the improved analysis for plant hire, internal labour hire rates and capital wage allocations. Further work is being undertaken to review Council's ability to capitalise internal costs associated with disposal of existing assets required as part of preparing an asset ready for use eg disposal of road material removed at Caroline Landfill and replaced with new material, the costs associated with disposal at Caroline Landfill should form part of the capital cost of the project.

## **VALUE FOR MONEY**

N/A

## **RISK IMPLICATIONS**

Risk that:

- The financial statements do not reasonably reflect the true financial position of Council in relation to the fair value of Caroline Landfill assets and associated liability provisions. This could result in an audit qualification.
- Council is undervaluing its assets due to undervaluing internal labour hire rates and not allocating project management wages to capital.
- The finance team are able to change their own financial delegation without secondary approval.

## **EQUALITIES AND DIVERSITY IMPLICATIONS**

N/A



## **ENGAGEMENT AND COMMUNICATION STRATEGY**

N/A

## **IMPLEMENTATION STRATEGY**

Workshop will be held with Audit and Risk Committee inviting Council Members to provide an update on the status of Caroline Landfill financial modelling.

Phased implementation for internal capitalised costs as per Attachment 1 to this Report cover actual amendments and budget updates.

## **CONCLUSION AND RECOMMENDATION**

That Council via the Audit and Risk Committee note the 2023/2024 external audit interim management report as provided by Dean Newbery resulted in 4 key issues/observations. Council Administration's response outlines actions in relation to these issues with 3 already in progress and 1 not yet started.

## **ATTACHMENTS**

1. Interim Audit Response - CEO to Dean Newbery 2 July 2024 [↓](#)





Civic Centre, 10 Watson Terrace  
Mount Gambier SA 5290

PO Box 56  
Mount Gambier SA 5290

Telephone 08 87212555  
Facsimile 08 87249791  
[city@mountgambier.sa.gov.au](mailto:city@mountgambier.sa.gov.au)

[mountgambier.sa.gov.au](http://mountgambier.sa.gov.au)

Reference:  
Enquiries to: Ms Sarah Philpott

2 July 2024

Samantha Creten  
Partner  
Dean Newbery  
PO Box 755  
NORTH ADELAIDE SA 5006

Dear Samantha,

**RE: City of Mount Gambier Interim Management Report 2023/24 Financial Year Response**

**Purpose:**

Further to the new format for the Interim Audit Management Report as advised by Daniel Phillips the purpose of this letter is to provide you with Council's response to the findings and recommendations on key audit issues as outlined in the attached management report for Mr Paul Duka, City of Mount Gambier's Audit and Risk Committee Presiding Member.

**Background:**

1. **Action Plan** - Council staff have prepared action plans in response to the four items identified in the attached management report (Attachment 1).
2. **Legislation** - Aligned with legislation introduced in November 2023 progress against action plans will be reported to the Audit and Risk Committee.
3. **Audit and Risk Committee Report** - This letter will be included in the report to be taken to the July 2024 Audit and Risk Committee.

**Proposal:**

1. **Interim Management Report May 2024 Management Response** - Attachment 2 shows the response and status of all risks, noting the summary shown below:



- **Partially Complete (3 Risks)** - Including the following:
  - **Caroline Landfill Provision Valuation** - Caroline landfill waste post closure provision where independent validation/verification is expected to be completed in July 2024 with further review by Council's Executive (ELT), followed by a Council/Audit and Risk Committee workshop prior to Council's balance date audit. The implications of this review will be incorporated in the 2025/2026 budget and 2026-2035 LTFP.





Civic Centre, 10 Watson Terrace  
Mount Gambier SA 5290

PO Box 56  
Mount Gambier SA 5290

Telephone 08 87212555  
Facsimile 08 87249791  
[city@mountgambier.sa.gov.au](mailto:city@mountgambier.sa.gov.au)

[mountgambier.sa.gov.au](http://mountgambier.sa.gov.au)

- **Asset Valuation** - The data from the condition audits and valuations for the Infrastructure and Buildings and Structures asset classes have been incorporated in the adopted LTFP and AMPs. Further work is required maintenance expected to be delivered for the 2025/2026 budget.
- **Internal Capitalised Costs** - The principles and YTD impact (as at April 2024) has been presented to relevant managers and Council's Executive. A phased approach has been planned (as detailed in Attachment 2).
- **Not Started (1 Risks)** - Actions to be taken Include reassigning the roles and responsibilities for financial delegations with a proposal to be taken to the Executive Leadership Team in July 2024.

If you have any queries relating to this letter or the attachment please contact me, Jane Fetherstonhaugh or Kahli Rolton.

Kind Regards

A handwritten signature in black ink, appearing to read "Sarah Philpott", written over a light blue horizontal line.

**Sarah PHILPOTT**  
Chief Executive Officer







Chartered  
Accountants

HEAD OFFICE  
214 Melbourne Street  
North Adelaide SA 5006

PO Box 755  
North Adelaide SA 5006

T: (08) 8267 4777  
www.deannewbery.com.au

Dean Newbery  
ABN: 48 007 865 081

24 June 2024

Mr Paul Duka  
Independent Chairperson – Audit & Risk Committee  
City of Mount Gambier

Sent via email: [jscoggins@mountgambier.sa.gov.au](mailto:jscoggins@mountgambier.sa.gov.au)

Dear Mr. Duka

**RE: 2023/24 External Audit Interim Management Report – City of Mount Gambier**

We have recently completed our Interim Audit component of the City of Mount Gambier's (Council) 2023/24 financial year (FY24) external audit.

We are pleased to provide members of the Audit & Risk Committee an update on the status of the FY24 External Audit and wish to advise our work to date has covered the following areas:

- Review of internal controls in line with the Local Government Better Practice Model to identify controls which can be relied upon for testing purposes.
- Performed Internal control walkthrough updates of key business operations relating to revenue, expenses and payroll were completed.
- Interim sample transaction testing of operating income (including rates, fees and charges income), grant revenue, operating and capital expenditure and employee payroll was completed.
- Completed a Rates regeneration to confirm the accuracy and completeness of rate revenue recognised in the general ledger.
- Reviewed work undertaken on the valuation of Land and Buildings, Stormwater, Car Parks and Retaining walls and integration of data within Council's asset register.
- Reviewed the status of Councils Landfill Provisions as a result of recommendations raised in prior financial year audit correspondence issued to the Council.
- Review of Council meeting Agenda and Minute reports were completed to determine if there were any potential issues to be considered within the Audit Plan and whether there were any contingent matters to be considered.

**As a result of the work have completed, we wish to provide to you a summary of our observations, findings and recommendations on key audit issues as outlined below:**



---

Interim Report – 2023/24 Financial Year External Audit

---

### 1. Financial Delegation Controls

In discussions with the Administration, it was identified that the ability to amend financial delegation in Authority is permissible to 5 officers working within the Finance team. This raises a risk that these employees can change their own financial delegation without prior and/or secondary approval to beyond their own endorsed financial delegation.

To strengthen internal controls, we recommend that Council restrict the ability to amend financial delegation within the system to its IT department and/or implement additional system controls which requires financial delegation changes to be authorised by 2 independent officers.

### 2. Caroline Landfill Provision Valuation

Preliminary discussions were held with Council's Finance Business Partner to discuss the progress made to address the matters raised in our 2023 Audit Completion Report regarding Council's landfill capping and post closure rehabilitation provision review and update.

Council have advised that they have engaged the services of BRM Consulting to assist in preparing a landfill liability model for each provision and the Administration are in the process of completing an assessment of the financial impact on Council's financial operations as a result of the projections received (e.g. to the FY24 financial results, other relevant strategic plans, etc.).

We have requested that Council document the methodology behind the provision and ensure the eventual valuation of landfill liability be suitably certified so as to enable them to be included in the eventual FY24 financial statements.

We have recommended to the Administration that the Audit and Risk Committee should be kept informed of the progress of the review being completed and the estimated final impact to the financial operations of the Council as a result of the landfill liability valuation being completed as the adoption of the new valuation will have long-term implications to Council's Long Term Financial Plan (LTFP), Infrastructure & Asset Management Plan (IAMP) and to Council's FY25 budget which will need to be carefully considered and updated accordingly.

### 3. Asset Valuations

We have reviewed the external valuation reports and integration of data into Councils asset registers for Land and Buildings, Stormwater, Car Parks and Retaining Walls asset classes. We have considered the work conducted by the external valuers appointed by Council from our initial review, did not find any issues with the integration of data into Councils Asset Registers.

We recommend Council undertakes an update to its IAMP and LTFFP to ensure that updated assumptions regarding the future maintenance funding, asset replacement cost and forecasted depreciation expense are all reflected.

We commend the efforts of the Administrations to ensure that the valuations were completed early in the financial year.



---

Interim Report – 2023/24 Financial Year External Audit

---

#### 4. Internal Capitalised Costs

To address matters raised in prior Interim Management letters, assistance provided from external consultants Galpins (external accountants) has resulted in Council being able to complete a review of Council's plant hire rates, full cost attribution, internal labour hire rates inclusive of overheads and capital wage overhead allocation for the first time since 2019.

The outcome of this review was provided to us during our interim attendance and note the updated assumptions and estimates now reflected in the calculation have now been made to address previous audit issues raised.

We recommend that the findings from this review be updated across all of Council's strategic plans where applicable to ensure that updated assumptions regarding future maintenance funding, asset replacement costs and overall full cost attribution estimates are reflected accurately.

Now that Council has completed this review, we recommend that ongoing planned reviews of these rates is regularly performed so as to ensure that Council maintains at all times, accurate costings for all of its financial strategic planning and reporting purposes.

#### Summary

We would like to take this opportunity to thank the Administration for their valued assistance provided during our recent attendance and for the work undertaken to address previous audit matters raised as noted above.

Should you have any further queries, please contact me on the details provided below.

Yours sincerely

**DEAN NEWBERY**



**Samantha Creten**  
Director

P. 8267 4777

E. [samanthac@deannewbery.com.au](mailto:samanthac@deannewbery.com.au)

C. Chief Executive Officer

C. Mayor



# Interim External Audit Actions

30 June 2024

City of  
Mount Gambier



# ORGANISATIONAL OVERVIEW

## External Audit Actions

### Interim Audit 2023/2024






## External Interim Audit 2023/2024

Ref	Description	Est Date	Status	Council Administration Response
1.	<p><b>Financial Delegation Controls:</b></p> <p>In discussions with the Administration, it was identified that the ability to amend financial delegation in Authority is permissible to 5 officers working within the Finance team. This raises a risk that these employees can change their own financial delegation without prior and/or secondary approval to beyond their own endorsed financial delegation.</p> <p>To strengthen internal controls, we recommend that Council restrict the ability to amend financial delegation within the system to its IT department and/or implement additional system controls which requires financial delegation changes to be authorised by 2 independent officers.</p>	July 2024	●	<ul style="list-style-type: none"> <li>• <b>Current Responsibility</b> - The current officers are Authority Administrators, including Team Leader Financial Accounting, Finance Officer, Finance, Procurement and as such are able to currently update financial delegations..</li> <li>• <b>Scope Of Administration Required</b> - This will include administration of new starters, temporary acting arrangements (higher duties), secondments etc.</li> <li>• <b>Next Steps</b> – A proposal for the reallocation of responsibilities will be taken to the Executive Leadership Team in July for review and approval.</li> </ul>





## External Audit 2023/2024 - Previous Actions Status


Ref	Description	Est Date	Status	Council Administration Response
2.	<p><b>Caroline Waste Provision Valuation:</b></p> <p>Preliminary discussions were held with Council’s Finance Business Partner to discuss the progress made to address the matters raised in our 2023 Audit Completion Report regarding Council’s landfill capping and post closure rehabilitation provision review and update.</p> <p>Council have advised that they have engaged the services of BRM Consulting to assist in preparing a landfill liability model for each provision and the Administration are in the process of completing an assessment of the financial impact on Council’s financial operations as a result of the projections received (e.g. to the FY24 financial results, other relevant strategic plans, etc.).</p> <p>We have requested that Council document the methodology behind the provision and ensure the eventual valuation of landfill liability be suitably certified so as to enable them to be included in the eventual FY24 financial statements.</p> <p>We have recommended to the Administration that the Audit and Risk Committee should be kept informed of the progress of the review being completed and the estimated final impact to the financial operations of the Council as a result of the landfill liability valuation being completed as the adoption of the new valuation will have long-term implications to Council’s Long Term Financial Plan (LTFP), Infrastructure &amp; Asset Management Plan (IAMP) and to Council’s FY25 budget which will need to be carefully considered and updated accordingly.</p>	<p>July 2024</p> <p>July 2024</p> <p>July 2024</p> <p>June 2025</p>		<p><b>Independent Validation/Verification</b> - Council Administration have engaged a suitably experience engineering firm to provide professional independent validation/verification of the assumptions and parameters used in the financial model.</p> <p>The assessment is to include (with an expected date of delivery of mid to late July):</p> <ul style="list-style-type: none"> <li>• <b>Reasonableness</b> - An opinion on the reasonableness of the value of the future restoration provision (including assumptions)</li> <li>• <b>A range of accuracy</b> - for materiality purposes of the future restoration provision including risk and min/max scenarios</li> <li>• <b>Validation Limitations</b> - Clearly explain limitations on making the validation</li> <li>• <b>Legislative Obligations</b> - Meet all relevant legislative obligations</li> </ul> <p><b>ELT</b> - Session to review the outcomes from the engineering report (above).</p> <p><b>Combined Workshop</b> - For both Council and Audit and Risk Committee has been identified for 29 July 2024. This date allows time for receipt of independent verification.</p> <p>This work will also inform the 2025/2026 budget and next iteration of the AMPs and LTFP.</p>

MOU NTGAMB ER.SA.GOV.AU

04



## External Interim Audit 2023/2024

Ref	Description	Est Date	Status	Council Administration Response
3.	<p><b>Asset Valuations:</b></p> <p>We have reviewed the external valuation reports and integration of data into Councils asset registers for Land and Buildings, Stormwater, Car Parks and Retaining Walls asset classes. We have considered the work conducted by the external valuers appointed by Council from our initial review, did not find any issues with the integration of data into Councils Asset Registers.</p> <p>We recommend Council undertakes an update to its IAMP and LTFP to ensure that updated assumptions regarding the future maintenance funding, asset replacement cost and forecasted depreciation expense are all reflected.</p> <p>We commend the efforts of the Administrations to ensure that the valuations were completed early in the financial year.</p>	March 2025		<p><b>Infrastructure Major Classes</b> - The results of the 30 June 2023 valuation have been incorporated in the capital forward works program within the Asset Management Plans and LTFP (2025-2034) with the depreciation updated accordingly.</p> <p><b>Buildings and Structures</b> - The results of the valuation and high-level condition audits have been incorporated in this version of the Asset Management Plans and LTFP (2025-2034) with the depreciation updated accordingly.</p> <p><b>Other Infrastructure</b> - The results of the valuation and condition audits have been incorporated in this version of the Asset Management Plans and LTFP (2025-2034) with the depreciation updated accordingly.</p> <p><b>Maintenance</b> – Based on high level condition audits undertaken with more granular audits to be progressed in 2024/2025. This will inform a more comprehensive maintenance program planned for development as part of the 2025/2026 budget process.</p>



## External Interim Audit 2023/2024

Ref	Description	Est Date	Status	Council Administration Response
4.	<p><b>Internal Capitalised Costs:</b></p> <p>To address matters raised in prior Interim Management letters, assistance provided from external consultants Galpins (external accountants) has resulted in Council being able to complete a review of Council's plant hire rates, full cost attribution, internal labour hire rates inclusive of overheads and capital wage overhead allocation for the first time since 2019.</p> <p>The outcome of this review was provided to us during our interim attendance and note the updated assumptions and estimates now reflected in the calculation have now been made to address previous audit issues raised.</p> <p>We recommend that the findings from this review be updated across all of Council's strategic plans where applicable to ensure that updated assumptions regarding future maintenance funding, asset replacement costs and overall full cost attribution estimates are reflected accurately.</p> <p>Now that Council has completed this review, we recommend that ongoing planned reviews of these rates is regularly performed so as to ensure that Council maintains at all times, accurate costings for all of its financial strategic planning and reporting purposes.</p>	<p>July 2024</p> <p>Sep 2024</p> <p>ongoing</p> <p>March 2025</p> <p>March 2025</p>	<p>●</p>	<p><b>Stakeholder Review</b> - Prior to implementation of changes following the review of plant hire rates, labour oncost %'s, capitalisation of project management wages a workshop was held with relevant managers and Executive (4 June and 12 June 2024).</p> <p><b>Phased Implementation</b> - Council Administration will implement the results of the work undertaken/to be undertaken as follows:</p> <ul style="list-style-type: none"> <li>• <b>Actuals</b> - Implementation of actuals FY23/24 and continuing in future years;</li> <li>• <b>BR1</b> - Budget revision FY24/25 to align operating and capital expenditures with revised forecasts;</li> <li>• <b>AMP Improvements</b> - Improvements to future asset management planning FY24/25 and beyond;</li> <li>• <b>Budget 2025/2026</b> - Improvements to FY25/26 (and beyond) budget preparation at the lower level of labour hours and plant hours</li> </ul> <p><b>Annual Review</b> - Council administration plans to review the plant hire and oncost charges annually as part of its budget processes.</p>



**5.8 AUDIT AND RISK COMMITTEE MEETING REPORT – REPORT NO. AR24/29752**

<b>Committee:</b>	<b>Audit and Risk Committee</b>
<b>Meeting Date:</b>	<b>29 July 2024</b>
<b>Report No.:</b>	<b>AR24/29752</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Kahli Rolton, Acting Manager Financial Services</b>
<b>Authoriser:</b>	<b>Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services</b>
<b>Summary:</b>	<b>A report to Council after the Audit and Risk Committee meeting, summarising the work of the committee preceding the meeting and the outcomes of the meeting.</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People</b> <b>Goal 2: Our Location</b> <b>Goal 3: Our Diverse Economy</b> <b>Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage</b> <b>Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit and Risk Committee Report No. AR24/29752 titled 'Audit and Risk Committee Meeting Report' as presented on 29 July 2024 be noted.



## TYPE OF REPORT

Legislative

## BACKGROUND

1. **Legislation** - Section 126 of the Local Government Act effective from 30 November 2023 requires that the following report is prepared as shown below:

*(8) A council audit and risk committee must—*

*(a) provide a report to the council after each meeting summarising the work of the committee during the period preceding the meeting and the outcomes of the meeting;*

## PROPOSAL

### ***Period Preceding the Meeting:***

2. **Council Member Briefing** - A meeting was held between the Council Member Audit and Risk Committee representative, the General Manager Corporate and Regulatory Services, Acting Manager Financial Services and other report authors to provide a briefing on the reports included in the agenda prior to the meeting
3. **Presiding Member Pre-Meeting** - A meeting was held between the Acting Manager Financial Services and the Presiding Member to discuss the agenda prior to the meeting.
4. **Memorandum to Committee 3 July 2024** - 2023/2024 Interim Audit Management Report and Response
5. **Email to Committee Chair 8 July 2024** - request to complete Fraud Questionnaire for those charged with Governance

### ***Outcomes of The Meeting:***

6. The outcomes of this meeting will be summarised in the minutes to be adopted by Council.

## LEGAL IMPLICATIONS

Local Government Act Sections 125A, 126 and 41.

Local Government (Financial Management) Regulations 2011

Terms of Reference - Audit and Risk Committee

## STRATEGIC PLAN

N/A

## COUNCIL POLICY

N/A

## ECONOMIC IMPLICATIONS

N/A

## ENVIRONMENTAL IMPLICATIONS

N/A

## SOCIAL IMPLICATIONS

N/A

## CULTURAL IMPLICATIONS

N/A

## RESOURCE IMPLICATIONS

N/A



**VALUE FOR MONEY**

N/A

**RISK IMPLICATIONS**

N/A

**EQUALITIES AND DIVERSITY IMPLICATIONS**

N/A

**ENGAGEMENT AND COMMUNICATION STRATEGY**

N/A

**IMPLEMENTATION STRATEGY**

N/A

**CONCLUSION AND RECOMMENDATION**

The recommendation to Council is that they note the report as presented (in conjunction with the minutes of the meeting).

**ATTACHMENTS**

Nil





**6 MOTIONS WITHOUT NOTICE**



## 7 CONFIDENTIAL ITEMS

### 7.1 LEGAL/LITIGATION COST/LIABILITY (RISK) EXPOSURE – REPORT NO. AR24/43578

#### CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Audit and Risk Committee orders that all members of the public, except the Mayor, Councillors and (Council Officers) be excluded from attendance at the meeting for the receipt and consideration in confidence of Agenda Item 7.1 AR24/43578 Legal/Litigation Cost/Liability (Risk) Exposure.

The Audit and Risk Committee is satisfied that, pursuant to section 90(3) (a), (b), (d), (f), (g), (h) and (i) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

- information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead)
- information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is
  - conducting business; or
  - proposing to conduct business; or
  - to prejudice the commercial position of the Council
- commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected:
  - to prejudice the commercial position of the person who supplied the information, or
  - to confer a commercial advantage on a third party
- information the disclosure of which could reasonably be expected to prejudice the maintenance of law, including by affecting (or potentially affecting) the:
  - prevention, detection, or investigation of a criminal offence, or
  - the right to a fair trial
- information concerning matters that must be considered in confidence in order to ensure that the Council does not:
  - breach any law, order or direction of a court or tribunal constituted by law,
  - breach any duty of confidence, or
  - breach any other legal obligation or duty
- legal advice
- information relating to:
  - actual litigation, or
  - litigation that the Council or Council committee believes on reasonable grounds will take place,
  - involving the Council or an employee of the Council

The Audit and Risk Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be considered relates to litigation that has commenced and has been provided to Council on a strictly confidential basis.

**CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL**

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 7.1 AR24/43578 Legal/Litigation Cost/Liability (Risk) Exposure and its attachments, resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (a), (b), (d), (f), (g), (h) and (i) be kept confidential and not available for public inspection until further ordered by Council or released in part or full by the Chief Executive Officer under delegation, to be reviewed annually.
2. Further that Council delegates the power to review, revoke, but not extend the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

**8 MEETING CLOSE**



**MINUTES OF CITY OF MOUNT GAMBIER  
AUDIT AND RISK COMMITTEE MEETING  
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT  
GAMBIER  
ON MONDAY, 3 JUNE 2024 AT 4.33 P.M.**

**PRESENT:** Mr Paul Duka, Mayor Lynette Martin (OAM), Mr Alexander Brown (virtual)

**OFFICERS IN ATTENDANCE:**

Chief Executive Officer	- Mrs S Philpott
General Manager Corporate and Regulatory Services	- Mrs J Fetherstonhaugh
General Manager City Infrastructure	- Ms B Cernovskis
Manager Financial Services	- Mrs J Scoggins
Manager Organisational Development	- Ms L Little
Finance Business Partner	- Ms K Rolton
Executive Administrator	- Mrs A Pasquazzi

**1 ACKNOWLEDGEMENT OF COUNTRY**

**WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR FIRST NATIONS PEOPLES HAVE WITH THE LAND.**

**2 APOLOGY(IES)**

**COMMITTEE RESOLUTION**

Moved: Alexander Brown

Seconded: Mayor Lynette Martin

That the apology(ies) from Cr Paul Jenner and Ms Belinda Johnson be received.

**CARRIED**

**3 CONFIRMATION OF MINUTES**

**COMMITTEE RESOLUTION**

Moved: Paul Duka

Seconded: Alexander Brown

That the minutes of the Audit and Risk Committee meeting held on 8 April 2024 be confirmed as an accurate record of the proceedings of the meeting.

**CARRIED**

**4 QUESTIONS WITHOUT NOTICE**

Nil



## 5 REPORTS

### 5.1 2024/2025 DRAFT ANNUAL BUSINESS PLAN AND BUDGET

#### COMMITTEE RESOLUTION

Moved: Alexander Brown

Seconded: Paul Duka

1. That Audit and Risk Committee Report No. AR24/29751 titled '2024/2025 Draft Annual Business Plan and Budget' as presented on 03 June 2024 be noted.
2. That the Audit and Risk Committee feedback on Council's Draft 2024/2025 Draft Annual Business Plan and Budget and/or the associated processes and risks, as follows:
  - The Audit and Risk Committee acknowledge the significant work Council's administration have undertaken to prepare the Annual Business Plan and Budget 2024/2025.
  - The Audit and Risk Committee acknowledge the importance of maintaining financial sustainability and recognises the proposed rate increase is required to support financial sustainability.
  - The Audit and Risk Committee encourage Council to closely monitor the financial performance throughout the year in the context of the financial ratio targets.
  - The use of the average residential rate and the waste service charge by comparison to other Council's should be considered as a guide only.

be incorporated with the public consultation feedback to be presented to the Special Council meeting to be held on the 18 June 2024 for consideration of the adoption of the Draft 2024/2025 Annual Business Plan and Budget.

**CARRIED**

### 5.2 DRAFT LONG TERM FINANCIAL PLAN 2025-2034

#### COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin

Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR24/36612 titled 'Draft Long Term Financial Plan 2025-2034' as presented on 03 June 2024 be noted.
2. That the Audit and Risk Committee feedback on Council's Draft Long Term Financial Plan 2025-2034 and/or the associated processes and risks, as follows:
  - The Audit and Risk Committee recommends that Council considers the future impact of new and upgraded assets on the financial sustainability.
  - The level of financial and operational risk that is posed by waste and the Audit and Risk Committee seeks a further update on waste financial modelling.
  - The Audit and Risk Committee notes that the Long Term Financial Plan financial sustainability ratios are trending in the right direction of the plan.
  - The Audit and Risk Committee notes the importance of the rating review in informing the future rating forecasts in the Long Term Financial Plan.





- That the outer years of the Long Term Financial Plan be considered in the next version of the Long Term Financial Plan in terms of the application of the 2% sustainability index. be incorporated with the public consultation feedback to be presented to the Special Council meeting to be held on 25 June 2024 for consideration of the adoption of the Draft Long Term Financial Plan 2025-2034.

**CARRIED**

Mr Alexander Brown indicated that he would be leaving the meeting and would not return.

## **FORMAL MOTION**

### **COMMITTEE RESOLUTION**

Moved: Paul Duka

Seconded: Mayor Lynette Martin

That the meeting be adjourned to Wednesday 12 June 2024 at 5:00 pm due to the anticipated lack of quorum in the absence of Mr Alexander Brown.

**CARRIED**

**The meeting was adjourned at 5:50 pm.**



**MINUTES OF CITY OF MOUNT GAMBIER  
AUDIT AND RISK COMMITTEE MEETING  
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT  
GAMBIER  
MONDAY, 3 JUNE 2024 AT 4.33 P.M.  
ADJOURNED TO WEDNESDAY, 12 JUNE 2024 AT 5.00 P.M.**

The meeting resumed at 5:04 pm on 12 June 2024.

**PRESENT:** Mr Paul Duka, Mayor Lynette Martin (OAM), Mr Alexander Brown (virtual), Ms Belinda Johnson (virtual), Cr Paul Jenner

**OFFICERS IN ATTENDANCE:**

Chief Executive Officer	- Mrs S Philpott
General Manager Corporate and Regulatory Services	- Mrs J Fetherstonhaugh
General Manager City Infrastructure	- Ms B Cernovskis
Manager Financial Services	- Mrs J Scoggins
Executive Administrator	- Mrs A Pasquazzi

### 5.3 DRAFT ASSET MANAGEMENT PLANS (AMPS) 2025-2034

#### COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR24/37154 titled 'Draft Asset Management Plans (AMPs) 2025-2034' as presented on 12 June 2024 be noted.
2. That the Audit and Risk Committee feedback on Council's Draft Asset Management Plans (AMPs) 2025-2034 and/or the associated processes and risks, as follows:
  - Acknowledges the work undertaken to date on asset planning and the increasing maturity of the assets data.
  - Notes the allocation of new planning and delivery of assets in the building and structures asset management plan, and suggests Council consider the proportion of new versus renewal in future iterations of the plan as the asset planning and master planning progresses.
  - Recommends that Council continues to consider any underutilised buildings and structures and notes the strategic work plan projects will inform this consideration.
  - Notes the plant asset management plan and that the plan allows for some redundancy in plant due to difficulty in supply of new equipment and parts.
  - Recommends that future iterations of the infrastructure asset management plans provide a breakdown of proposed recommended expenditure for key asset classes.
  - Notes the variance between depreciation and proposed asset renewal expenditure and recommend that further context to the variation between depreciation and proposed asset renewal expenditure be provided to Council.
  - The Administration provide an update to the Audit and Risk Committee on a half yearly basis on the further refinement of the asset management planning process.



be incorporated with the public consultation feedback to be presented to the Special Council meeting on 18 June 2024, for consideration of the adoption of the Draft Asset Management Plans (AMPs) 2025-2034.

**CARRIED**

#### **5.4 UNAUDITED INFRASTRUCTURE VALUATION AS AT 1 JULY 2023**

Cr Paul Jenner left the meeting at 6:08 pm

Cr Paul Jenner returned to the meeting at 6:08 pm

##### **COMMITTEE RESOLUTION**

Moved: Belinda Johnson

Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR24/10208 titled 'Unaudited Infrastructure Valuation as at 1 July 2023' as presented on 12 June 2024 be noted.

**CARRIED**

#### **5.5 POLICY REVIEW - ASSET ACCOUNTING**

##### **COMMITTEE RESOLUTION**

Moved: Cr Paul Jenner

Seconded: Mayor Lynette Martin

1. That Audit and Risk Committee Report No. AR24/36754 titled 'Policy Review - Asset Accounting' as presented on 12 June 2024 be noted.
2. That the Asset Accounting Policy as attached to Report No. AR24/36754 having been reviewed by the Audit and Risk Committee on 12 June 2024 be adopted.
3. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the policies arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.

**CARRIED**

#### **5.6 POLICY REVIEW - RISK MANAGEMENT**

##### **COMMITTEE RESOLUTION**

Moved: Paul Duka

Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR24/38120 titled 'Policy Review - Risk Management' as presented on 12 June 2024 be noted.



2. That the Risk Management Policy as attached to Report No. AR24/38120 having been reviewed by the Audit and Risk Committee on 12 June 2024 be adopted.
3. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the policies arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.

**CARRIED**

#### **5.7 RISK MANAGEMENT REPORT JANUARY - MARCH 2024**

##### **COMMITTEE RESOLUTION**

Moved: Cr Paul Jenner

Seconded: Paul Duka

1. That Audit and Risk Committee Report No. AR24/36616 titled 'Risk Management Report January - March 2024' as presented on 12 June 2024 be noted.
2. That an update on the Leases and Licences and Policy Reviews be presented to the July Audit and Risk Committee meeting.
3. That the environmental compliance inherent risk be increased from high to extreme.

**CARRIED**

#### **5.8 WORK HEALTH SAFETY (WHS) AND WELLBEING QUARTERLY REPORT - JANUARY - MARCH 2024**

##### **COMMITTEE RESOLUTION**

Moved: Cr Paul Jenner

Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR24/36617 titled 'Work Health Safety (WHS) and Wellbeing Quarterly Report - January - March 2024' as presented on 12 June 2024 be noted.

**CARRIED**

#### **5.9 QUARTERLY INTERNAL AUDIT UPDATE REPORT**

##### **COMMITTEE RESOLUTION**

Moved: Belinda Johnson

Seconded: Mayor Lynette Martin

1. That Audit and Risk Committee Report No. AR24/36613 titled 'Quarterly Internal Audit Update Report' as presented on 12 June 2024 be noted.

**CARRIED**



### 5.10 DRAFT REVISED INTERNAL AUDIT PROGRAM

#### COMMITTEE RESOLUTION

Moved: Alexander Brown  
Seconded: Mayor Lynette Martin

1. That Audit and Risk Committee Report No. AR24/36992 titled 'Draft Revised Internal Audit Program' as presented on 12 June 2024 be noted.
2. That the Revised Internal Audit Plan as attached to Report No. AR24/36992, having been reviewed by the Audit and Risk Committee on 12 June 2024, be adopted.
3. That plant and fleet be subject to a future internal audit in a later iteration of the Internal Audit program.
4. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the Draft Revised Internal Audit Plan arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.

**CARRIED**

### 5.11 EXTERNAL AUDIT MANAGEMENT REPORT

#### COMMITTEE RESOLUTION

Moved: Cr Paul Jenner  
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR24/36615 titled 'External Audit Management Report' as presented on 12 June 2024 be noted.

**CARRIED**

### 5.12 REVIEW OF 2024 AUDIT AND RISK PROGRAM

#### COMMITTEE RESOLUTION

Moved: Paul Duka  
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR24/36971 titled 'Review of 2024 Audit and Risk Program' as presented on 12 June 2024 be noted.
2. That the revised work program as reviewed by the Audit and Risk Committee for the calendar year 2024 (attached) be adopted, with the addition of the presentation of the quarterly budget review to the Audit and Risk Committee following its presentation to the Council meeting.

**CARRIED**



**5.13 AUDIT AND RISK COMMITTEE MEETING REPORT**

**COMMITTEE RESOLUTION**

Moved: Paul Duka  
Seconded: Cr Paul Jenner

1. That Audit and Risk Committee Report No. AR24/29748 titled 'Audit and Risk Committee Meeting Report' as presented on 12 June 2024 be noted.

**CARRIED**

**6 MOTIONS WITHOUT NOTICE**

**6.1 MOTION - THANK YOU TO MANAGER FINANCIAL SERVICES**

**COMMITTEE RESOLUTION**

Moved: Paul Duka  
Seconded: Mayor Lynette Martin

1. That the Audit and Risk Committee thank Julie Scoggins, Manager Financial Services for her support and professional expertise provided to the Audit and Risk Committee during her tenure.

**CARRIED**

**7 MEETING CLOSE**

The Meeting closed at 7:35 pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee held on 29 July 2024.

.....  
**PRESIDING MEMBER**

