

## Internal Audit Progress Update

ITEM 9.2 19/07/2019

**Audit Committee**

**Program Contact:**

Rudi Deco, Manager Governance  
8203 7442

2018/02550

Confidential - s 90(3) (b) & (d) commercial advantage/prejudice commercial position of council/commercial information of a confidential nature

**Approving Officer:**

Mark Goldstone, Chief Executive Officer

## EXECUTIVE SUMMARY:

To provide the Audit Committee with a progress update on the Internal Audit program, findings and recommendations.

Consideration in confidence is sought because the report contains commercial information of a confidential nature the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting business and prejudice the commercial position of the council.

## RECOMMENDATION:

### THAT THE AUDIT COMMITTEE

1. Receives and notes the report
2. In accordance with Section 91(7) and (9) of the *Local Government Act 1999 (SA)* and on the grounds that Item 9.2 listed on the Agenda for the meeting of the Audit Committee held on 19 July 2019 was received, discussed and considered in confidence pursuant to Section 90(3) (b) & (d) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee, does order that:
  - 2.1. The resolution and report become public information and included in the Minutes of the meeting.
  - 2.2. The attachments, the discussions and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection under 31 December 2026.
  - 2.3. The confidentiality of the matter be reviewed in December 2020.
  - 2.4. The Chief Executive Officer be delegated by authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been resolved.

## IMPLICATIONS AND FINANCIALS:

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities The role of the City of Adelaide is diverse and complex. Our core role is to deliver service to the community as a leader, service provider, advocate, facilitator and owner of assets.
Policy	Not as a result of this report
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	The Internal Audit program provides advice to the Audit Committee on assurance related activities to meet best practice standards.
19/20 Budget Allocation	\$180,000
Proposed 20/21 Budget Allocation	To be determined
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
19/20 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

# GROUND AND BASIS FOR CONSIDERATION IN CONFIDENCE

## Grounds

Section 90 (3) (b) and (d) of the *Local Government Act 1999* (SA)

- (b) information the disclosure of which –
  - (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
  - (ii) would, on balance, be contrary to the public interest;
- (d) commercial information of a confidential nature (not being a trade secret) the disclosure of which—
  - (i) 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; and
  - (ii) would, on balance, be contrary to the public interest;

## Basis

This Item is commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting business and prejudice the commercial position of the council.

The disclosure of information in this report could reasonably prejudice the commercial position of the Council in relation to the findings contained within the audit reports regarding data security.

## Public Interest

The Audit 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 disclosure of this information may result in the disclosure of Council's commercial position severely prejudice the ability to conduct ordinary business activities whilst maintaining secure systems in relation to third party data.

# DISCUSSION

1. The role of Internal Audit is to assist Council, Audit Committee and the Chief Executive Officer in meeting their assurance obligations relating to corporate governance, the system of internal controls and identifying areas for more efficient processes.
2. Pursuant to the Audit Committee's Terms of Reference, approved by Council on 14 May 2019, the Audit Committee shall receive reports on all Internal Audit projects and shall review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor (KPMG). At the request of the Audit Committee, full copies of all completed audit reports are included [here](#).
3. The Internal Audit Plan (the Plan) 2018/2020 was endorsed by Audit Committee at its meeting on 5 October 2017. Minor changes have been made to the Plan in partnership with the SRIA Group to ensure identified audits are still appropriate and will assist in mitigating strategic risks. A summary of the 2019/2020 completed and proposed audits is included [here](#).

4. A summary of internal audits (IA), strategic reviews (SR) and internal investigations (II) for the period February 2019 to April 2019 is provided below:

Completed projects:	Customer Focus (IA) PCI Compliance
Continuing projects:	Legislative Compliance (SR)
Projects commenced:	Stores Management Employee Reimbursements Post-Audit Implementation

5. Recommendations arising from an Internal Audit and Strategic Reviews are reported to the Executive Strategic Risk and Internal Audit Group. Associate Directors are involved (as appropriate) in the reviews and assist in drafting the management responses, agree on actions, and have overall responsibility of the completion dates.
6. Recommendations, agreed actions, responsibilities and timeframes for implementation are recorded centrally in Council's process mapping software system, Promapp. The implementation status of recommendations is tracked and reported to the Audit Committee.
7. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 3 May 2019, eighteen (18) internal audit recommendations have been completed and one hundred and six (106) recommendations are in progress (view [here](#)); as summarised in the table below:

Risk	Definition	Overdue	In Progress	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	0	22	<b>22</b>
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives. Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	0	37	<b>37</b>
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives. Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months	0	20	<b>20</b>
	<b>Total</b>	0	84	<b>79</b>
N/A	Improvement Opportunity	0	20	<b>20</b>

8. Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 3 May 2019, twelve (12) internal investigation recommendations have been completed and four (4) are in progress (view [here](#)), as summarised in the table below:

Risk	Definition	Overdue	In Progress	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	0	0	0
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives. Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	0	0	0
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives. Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months.	0	0	0
	<b>Total</b>	0	0	0
N/A	Improvement Opportunities	0	4	4

## ATTACHMENTS

Nil

- END OF REPORT -

[illegible]

THAT THE AUDIT COMMITTEE

1. Receives and notes the report
2. In accordance with Section 91(7) and (9) of the *Local Government Act 1999 (SA)* and on the grounds that Item 9.2 listed on the Agenda for the meeting of the Audit Committee held on 19 July 2019 was received, discussed and considered in confidence pursuant to Section 90(3) (b) & (d) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee, does order that:
  - 2.1. The resolution and report become public information and included in the Minutes of the meeting.
  - 2.2. The attachments, the discussions and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection under 31 December 2026.
  - 2.3. The confidentiality of the matter be reviewed in December 2020.
  - 2.4. The Chief Executive Officer be delegated by authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been resolved.

Carried.