Audit Office
of South Australia

Auditor-General's Report 4 of 2025

Contract management in local government

Government of South Australia

Auditor-General's Report 4 of 2025

Contract management in local government

Tabled in the House of Assembly and ordered to be published, 18 June 2025

First Session, Fifty-Fifth Parliament

The Audit Office of South Australia acknowledges and respects Aboriginal people as the State's first people and nations, and recognises Aboriginal people as traditional owners and occupants of South Australian land and waters.

Audit Office
of South Australia

www.audit.sa.gov.au

Enquiries about this report should be directed to:

Auditor-General
Audit Office of South Australia
Level 9, 200 Victoria Square
Adelaide SA 5000

17 June 2025

President
Legislative Council
Parliament House
ADELAIDE SA 5000

Speaker
House of Assembly
Parliament House
ADELAIDE SA 5000

Dear President and Speaker

Auditor-General's Report 4 of 2025
Contract management in local government

Under the *Public Finance and Audit Act 1987,* I present this report to each of you. In this report, we review whether the Light Regional Council and the City of Onkaparinga are effectively managing their contracts to ensure the service delivery requirements are met.

This review is a reasonable assurance engagement where we conclude on the performance of the activities against the identified criteria. It is conducted in line with the Australian Standard on Assurance Engagement ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements for assurance engagements.

Acknowledgements

The review team for this report was Salv Bianco, Iolanda Telford, Sharon Ryan and Sue Forder.

We appreciate the cooperation and assistance given by staff of the Light Regional Council and City of Onkaparinga during our review.

Yours sincerely

Andrew Blaskett
Auditor-General

Contents

Audit snapshot – Contract management in local government

What we reviewed and why

We reviewed two councils – one regional and one metropolitan – to form a view on whether they effectively manage their contracts to ensure the service delivery requirements are met.

Councils collectively spend over $720 million each year on contracts to deliver essential council services and support their functions.

It is important for councils to have effective contract management activities in place to ensure the contractor delivers the service to the required standard, on time and for the agreed amount while achieving value for money over the term of the contract.

Key council services and functions contracted out

waste services

community wastewater

information and communication technology

What we concluded

We concluded that for the contracts we reviewed, both councils had key areas in their contract management activities that were not operating effectively. This included evaluating contractor performance against agreed performance standards, and assessing and managing contract risks.

Our key insights for councils

Our report provides key insights that all councils should consider in managing their contracts, including:

- identifying, assessing and managing any risks associated with contract arrangements
- assigning responsibility to staff who have the skills and knowledge needed to manage contracts, as well as a sound understanding of the contract terms and conditions and the contracted service or function
- providing training and having policies and procedures that provide sufficient information to help staff manage contracts effectively
- regularly monitoring and evaluating contractor performance against agreed performance standards
- keeping adequate records to support and inform the ongoing management of the contract
- establishing a contract management plan to help staff manage, monitor and report on contract performance.

1   Report overview

1.1   Introduction

South Australian councils spend over $720 million[1] each year on contracts to deliver council services and support their functions. They contract out a range of services and functions that vary significantly in value, complexity and duration. Some are core services and functions, such as the management of waste services, community wastewater and information and communication technology.

Contracting out services does not diminish a council's responsibility to provide the required standards of service to its community and manage the associated risks. Councils must have effective contract management activities in place to ensure:

- the contractor delivers the service to the required standard, on time and for the agreed amount while achieving value for money over the term of the contract

- management, reporting and key contract requirements are met.

Not managing contracts effectively increases the risk of delivering community services below the required standard and not realising the intended benefits from the contract. This may lead to community dissatisfaction, public criticism and mistrust of the council.

Councils face many challenges in managing their contracts. The most common are the availability of skilled staff to manage contracts and monitor performance, the adequacy of contract management systems and policies, and managing contract risks.

We reviewed two councils – Light Regional Council and the City of Onkaparinga – to assess whether they were effectively managing their contracts to ensure the requirements for delivering the contracted service or function were met. We focused on the following key contract management activities:

- managing contract and contract management risks
- managing contractor performance and key contractual requirements
- managing contract extensions and variations.

Our audit mandate, review objective and scope are provided in Appendix 1.

1.2   Overall conclusions

For the contracts we reviewed, we concluded that both councils had key areas in their contract management activities that were not operating effectively, such as:

- evaluating contractor performance against agreed performance standards
- setting service levels for all key contracted services

---

[1] This amount is based on the results of our survey. It does not include contracted services for capital projects. Appendix 1 provides more details about the survey.

- monitoring and reporting on contractor performance
- assessing and managing contract and contract management risks.

We also identified activities that were effective.

Our full conclusions are provided in section 4.1.1 for Light Regional Council and section 5.1.1 for the City of Onkaparinga.

1.3   The structure of this report

Our review results are provided in chapter 4 for Light Regional Council and in chapter 5 for the City of Onkaparinga. Chapter 2 provides our key insights for effective contract management activities that all councils should consider. Chapter 3 provides an overview of contract management in local government.

2 Key insights on contract management for all councils

All councils have contract arrangements in some form that they need to manage. While we reviewed two councils in detail, our review provided key insights for managing contracts effectively that all councils should consider when reviewing their own practices. These are:

identifying, assessing and managing any risks associated with contract arrangements

providing training and having contract management policies and procedures that provide sufficient information to help staff manage contracts effectively

assigning responsibility to staff who have the skills and knowledge needed to manage contracts, as well as a sound understanding of the contract terms and conditions and the contracted service or function

regularly monitoring and evaluating contractor performance against agreed performance standards

establishing a contract management plan to help staff manage contract requirements, including the obligations of the contractor and the council, and monitor and report on contract performance

keeping adequate records to support and inform the ongoing management of the contract. This is particularly important for long-term contracts where responsibility for contract management can change

We discuss these insights in more detail in Appendix 4.

3 Background

3.1 Introduction

The South Australian local government sector spent over $1.1 billion on materials, contracts and other expenses in 2022-23.[2] This amount includes the cost of contracts for the delivery of council services and functions.

We surveyed councils about their contract arrangements and how much they spend on them each year. Of the 59 councils who responded, 57 councils told us how much they spent on contracts for service delivery in 2022-23. The total was about $720 million, with metropolitan councils spending about $530 million and regional councils spending about $190 million on contracts.

The survey results showed that councils contract out a range of services and functions that vary significantly in value, complexity and duration, including:

- waste management services
- road repairs and maintenance
- information and communication technology management
- community wastewater management
- recreational facilities
- parks and gardens.

We found that in 2022-23, 35% of the respondent councils' service delivery contracts were in the value range of $1 million to $5 million, and 10% were over $10 million, as shown in figure 3.1.

Figure 3.1 Value ranges of high-risk contracts of surveyed councils
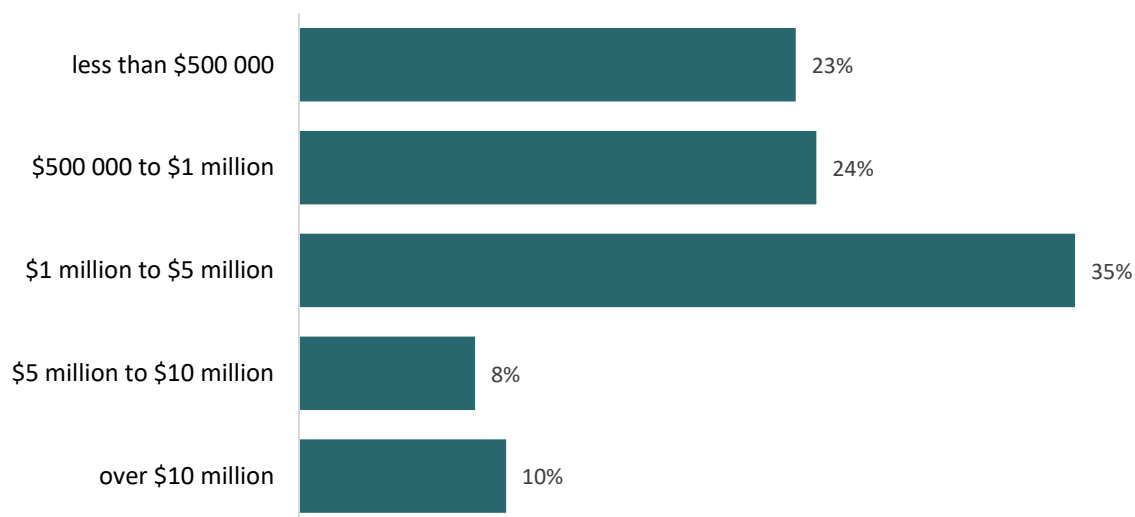
Source: Based on council survey responses received in February 2024 (unaudited).

Appendix 1 provides more details about the council survey.

---

2   South Australian Local Government Grants Commission Database Reports 2022-23, page 10, viewed 5 April 2025, <https://www.dit.sa.gov.au/__data/assets/pdf_file/0008/1404728/2022-23-Database-Report.pdf>.

3.2 Contract management framework

3.2.1 Why contract management is important

Contracting out services does not diminish a council's responsibility to provide the required standards of service to their community and manage the associated risks. Councils must have effective contract management activities in place to ensure:

- the contractor delivers the service to the required standard, on time and for the agreed amount while achieving value for money over the term of the contract

- management, reporting and key contract requirements are met.

3.2.2 Relevant law and guidance

The *Local Government Act 1999* (LG Act) requires councils to maintain policies on procurement, contracts and tenders. It focuses on procurement principles including the contracting out of services, but has no specific requirements for contract management. Appendix 2 provides more details about the law and the sector guidance on contract management.

Figure 3.2 shows the percentage of councils that responded to the survey that have a contract management policy, either as a separate policy or as part of their procurement policy.

Figure 3.2: Contract management policies

63% — 12 of the 19 metropolitan councils that responded to the survey

58% — 23 of the 40 regional councils that responded to the survey

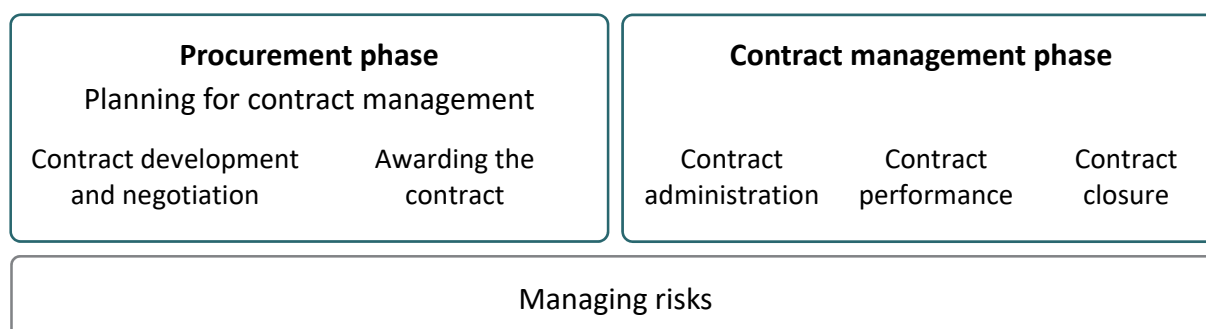Source: Based on council survey responses received in February 2024 (unaudited).

3.2.3 Key contract management activities

A council's contract management activities will vary depending on the nature, risk, complexity and value of each contract. Figures 3.3 and 3.4 provide the key phases and essential elements of effective contract management, and shows that planning for contract management starts during procurement.
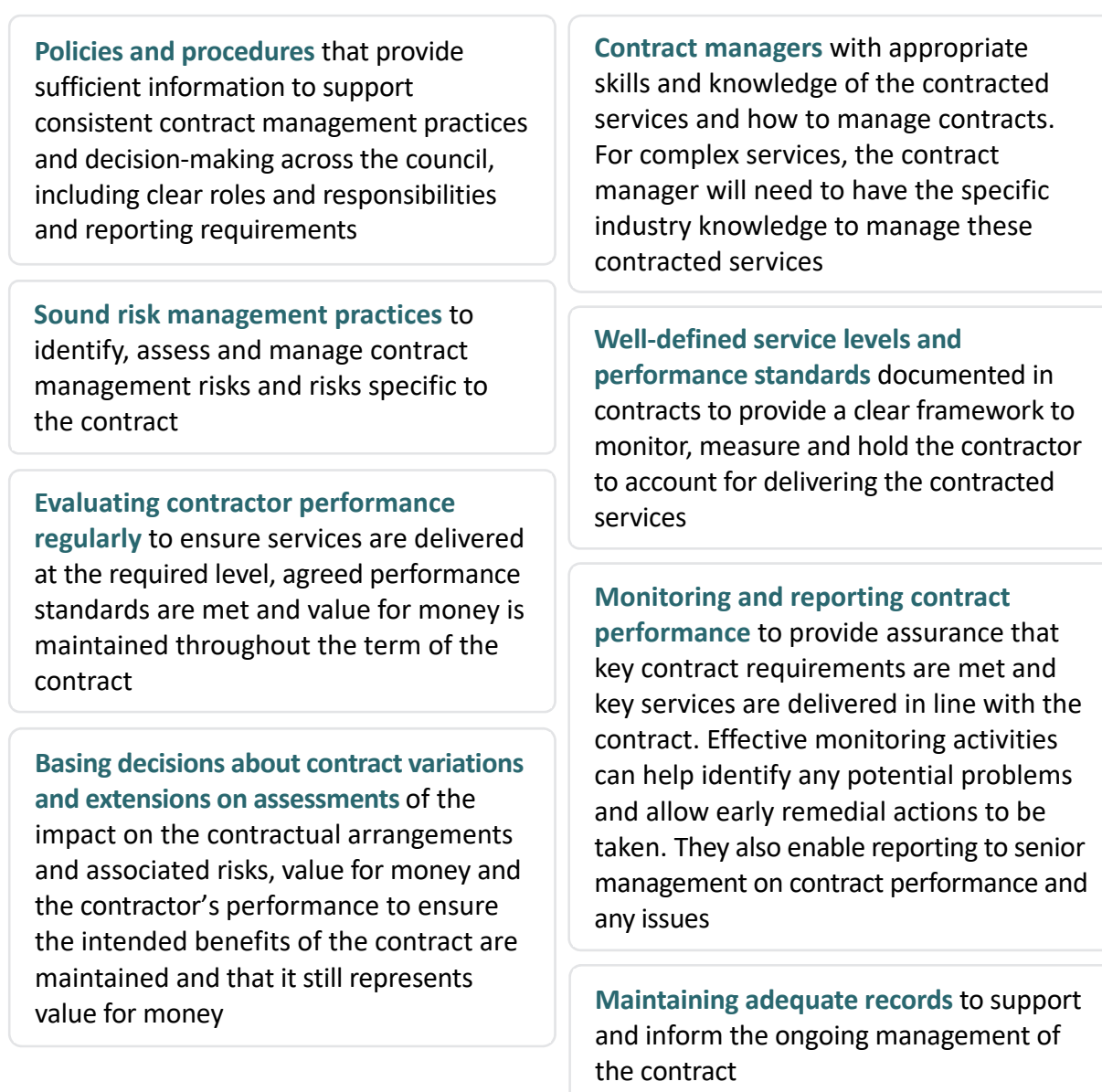
Figure 3.3: Key contract management phases

Key contract management activities in the procurement lifecycle

Procurement phase	Contract management phase
Planning for contract management	
Contract development and negotiation **Awarding the contract**	**Contract administration** **Contract performance** **Contract closure**

Managing risks

Source: Based on research performed by the Audit Office of South Australia.

Figure 3.4: Essential elements of effective contract management

Policies and procedures that provide sufficient information to support consistent contract management practices and decision-making across the council, including clear roles and responsibilities and reporting requirements

Sound risk management practices to identify, assess and manage contract management risks and risks specific to the contract

Evaluating contractor performance regularly to ensure services are delivered at the required level, agreed performance standards are met and value for money is maintained throughout the term of the contract

Basing decisions about contract variations and extensions on assessments of the impact on the contractual arrangements and associated risks, value for money and the contractor's performance to ensure the intended benefits of the contract are maintained and that it still represents value for money

Contract managers with appropriate skills and knowledge of the contracted services and how to manage contracts. For complex services, the contract manager will need to have the specific industry knowledge to manage these contracted services

Well-defined service levels and performance standards documented in contracts to provide a clear framework to monitor, measure and hold the contractor to account for delivering the contracted services

Monitoring and reporting contract performance to provide assurance that key contract requirements are met and key services are delivered in line with the contract. Effective monitoring activities can help identify any potential problems and allow early remedial actions to be taken. They also enable reporting to senior management on contract performance and any issues

Maintaining adequate records to support and inform the ongoing management of the contract

Appendix 5 provides more details on the key contract management activities of each phase and those activities we focused on in this review.

3.3 Challenges for councils in contract management

Our survey asked councils what challenges they face in managing their contracts. The most common challenges for both regional and metropolitan councils were:

- the availability of staff with expertise to manage contracts and monitor performance
- the adequacy of contract management systems and policies
- not having central coordination of contract management activities
- contractor compliance with legislative requirements, such as work health and safety
- the lack of common understanding with contractors on performance requirements
- price efficiencies and achieving value for money
- managing contract risks.

4 Light Regional Council

4.1 Executive summary

4.1.1 Conclusion

We assessed whether Light Regional Council has managed its contracts effectively to ensure the requirements for delivering contracted services/functions are met.

Our assessment was based on the review of three contracted services against the criteria in figure A1.1 in Appendix 1.

For the three contracts we reviewed, we concluded that the following key areas of Light Regional Council's contract management activities were not operating effectively:

- Service levels and performance standards were not set for all key services for two contracts.

- For all three contracts, the contractor's performance was not effectively evaluated against the agreed performance standards in the contract.

- The ICT managed services contract was not monitored effectively to ensure all key services were delivered.

- Contract risks were not identified and assessed for all three contracts.

- Not all contract management risks were identified and assessed.

- Complete and adequate records to support contract management were not maintained.

- The evaluation of variations and the extension for the ICT managed services contract did not assess value for money and the contractor's performance.

- Procedures did not provide sufficient guidance to help staff manage contracts effectively.

We also identified activities that were effective, as Light Regional Council had:

- approved contracts and invoices in line with delegated authority

- included key requirements that covered confidentiality, insurance and non-performance in the contracts

- set relevant service levels and performance standards for the waste contract.

4.1.2 What we recommended

We recommended that Light Regional Council should:

- set service levels and performance standards for all key contractual services to effectively manage the contractor's performance

- obtain information to effectively evaluate the contractor's performance

- establish a contract monitoring and reporting framework to ensure the delivery of agreed services during the contract term, and that adequate records are maintained to support effective contract management practices

- assess all contract and contract management risks and document these assessments in a dedicated risk register or contract management plan

- assess the contractor's performance and whether the contract arrangements still offer value for money when considering contract extensions and variations

- provide further guidance on contract management to improve the effectiveness of these activities.

While our findings relate to the three contracts we reviewed, we encouraged Light Regional Council to consider the recommendations for all current and future contracts.

4.1.3   Light Regional Council response

Light Regional Council accepted our findings and told us how it would action our recommendations. Its responses to each recommendation are provided in sections 4.4 to 4.8.

The Council confirmed its commitment to strengthen and continually improve its contract management practices to ensure services are delivered effectively, risks are appropriately managed and value for money is achieved in line with its statutory responsibilities and community expectations.

Appendix 6 contains Light Regional Council's response to this report.

4.2   Overview of Light Regional Council

Light Regional Council area is located about 80 kilometres northwest of the Adelaide CBD. It includes the townships of Kapunda, Freeling, Greenock, Roseworthy and Wasleys and the suburb of Hewett. It covers an area of around 1,278 km^2 with a population of 16,616 in 2023.[3]

The Light Regional Council area is largely rural and used for farming, particularly grain growing, pig farming and sheep grazing.

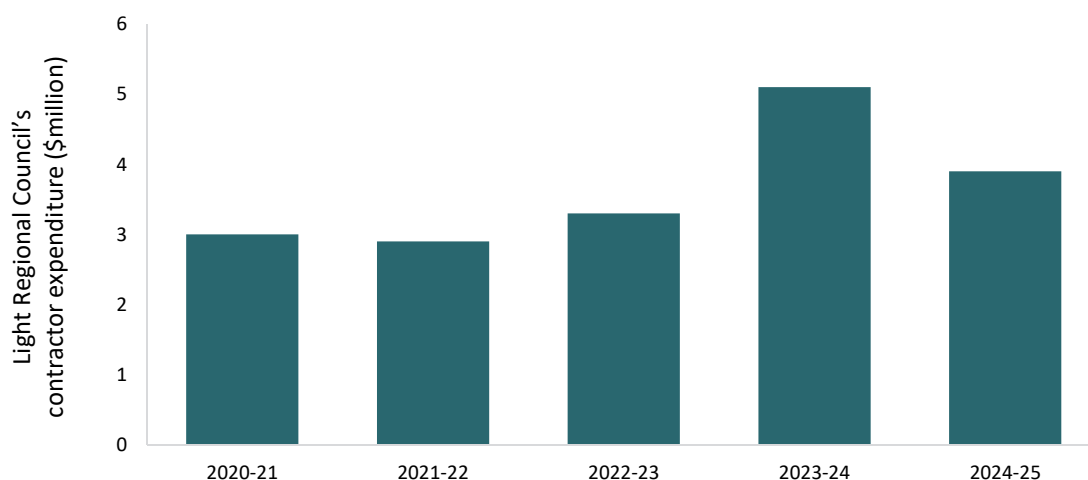## 4.2.1   Light Regional Council's contracted activity

The Council has contracts for the following key services and functions:

- waste management
- wastewater management
- road works and stormwater management
- information technology software and systems management.

---

[3]   Light Regional Council community profile, viewed 2 April 2025, <https://profile.id.com.au/light/about>.

The Council's reported contractor expenditure is shown in figure 4.1 and totalled $3.9 million in 2023-24.

Figure 4.1 Light Regional Council's contractor expenditure for the past five years

Source: Light Regional Council's audited financial statements, which are audited by a private sector accounting firm.

Contractor expenditure increased by 55% in 2022-23 mainly because the Council started constructing the Thiele Highway/East Terrace intersection on behalf of the SA Government.

4.2.2   Light Regional Council's contract management procedures

The Council's procurement procedure, adopted in April 2022, provides guidance on contract management. It requires all contracts to have a contract manager and outlines their responsibilities, including:

- the ongoing management of the contract

- monitoring the performance of the contract with regular progress reviews

- regular meetings with the contractor that are structured by having an agenda and keeping minutes.

4.3   Light Regional Council contracts we reviewed

We reviewed the following contracted services to make our assessment.

Contracted service	Start date	Expiry date[4]	Contract value range
Waste services	1 July 2018	30 June 2025	$5 million to $10 million
ICT managed services	1 November 2020	31 October 2028	$1 million to $5 million
Cloud services	9 June 2022	9 June 2027	Less than $500 000

We provide more details about these contracted services in Appendix 3.

---

4   The expiry dates include any extensions to the original term.

4.4   Managing contractor performance findings

4.4.1   Light Regional Council did not effectively monitor the ICT managed services contract

---

Recommendation

Light Regional Council should review whether it has paid for services not provided.

The Council should establish a monitoring and reporting framework at the start of all contracts to ensure the delivery of agreed services during the contract term.

The Council should maintain adequate records for all contracts that provide clear evidence of:

- monitoring and reporting on the delivery of services

- decisions made about significant aspects of a contract, such as change in services, and the impact they have on maintaining value for money during the contract term.

Finding

There was no evidence that the contractor had delivered the following services under the ICT managed services contract:

- the initial audit and works services, which involved:
    — developing the Council's preliminary technology roadmap
    — defining KPIs to measure the success of the engagement
    — mapping the Council's network and systems

- the strategic and project engagement services, which involved:
    — developing and maintaining the Council's technology roadmap and annual program of works, aligned to its budget, goals and vision
    — proactive quarterly reviews to monitor progress of the strategic implementation and plan for next steps in innovation.

Council staff were unable to explain, or provide documentary evidence that explained, why these services were not provided.

On this basis, we found that the Council had not monitored the ICT managed services contract effectively and maintained proper records to ensure all the required services were delivered at the right time.

Ineffective contract monitoring activities increase the risk of:

- paying for services not delivered

- not identifying potential problems and taking remedial action early

- not realising the intended benefits of the contract arrangement, including service delivery and achieving value for money.

Contract monitoring also enables reporting to senior management to provide assurance that the key services are delivered in line with the contract requirements.

Light Regional Council's response

Council acknowledges the gaps identified in the monitoring and reporting of contracts. A framework for procurement and contracts will be considered in the review of Council's procurement policy and potential development of associated procedures, including contract management. Council have engaged a procurement specialist to provide recommendations and advice for the development of these documents.

Council also agrees that maintaining records in alignment with its obligations under the State Records Act is important to show evidence of the transaction of a Council decision and supporting information should be addressed. Council will continue to provide training on information that should be captured in its records management system and will continue to evaluate the effectiveness of its records management solutions.

4.4.2 Light Regional Council did not have service levels for all key services

> ### Recommendation
>
> Light Regional Council should determine service levels for all key services provided under any future contracts. These service levels should define the scope of the services the contractor is required to deliver. They should be agreed with the contractor and clearly documented in the contract.

Finding

We found that two of the contracts we reviewed did not set service levels for all key services. For one of these contracts, the service level set was not an effective performance measure.

It is important to document service levels in contracts because they:

- provide a mutual understanding of the required service levels for the agreed performance standards, which could minimise disputes between the Council and its contractors

- enable the Council to hold the contractor accountable for delivering the contracted services

- provide the basis for measuring the contractor's performance and authorising contractor payments.

> **Service level**
> Defines the scope of the services (such as what and to what extent) the contractor is to deliver. In delivering services to the community, these service levels would be aligned with those provided in the relevant council's service level policy.

Light Regional Council's response

Council acknowledges the importance of including clear service levels and performance standards for all key contracts to ensure effective contractor performance management. These recommendations will be considered in the review as identified in 4.4.1.

4.4.3 Light Regional Council did not have performance standards for all key services

---

Recommendation

Light Regional Council should include key performance standards in all future contracts. These performance standards should enable the Council to effectively manage the contractor's performance in delivering the required services. They should be agreed with the contractor and clearly documented in the contract.

Finding

We found that two of the contracts we reviewed did not include performance standards for all key services to enable the Council staff to effectively manage the contractor's performance in delivering the services.

The ICT managed services contract stated that KPIs would be developed to measure the success of the engagement after the initial audit and documented in an annexure to the contract. The contract did not state when the initial audit was to be completed. Council staff could not provide evidence that the initial audit was performed and that the KPIs were determined and agreed at that time.

> **Performance standards**
> The criteria used to measure how well the services are being delivered in line with the established service levels. They aim to ensure the contractor provides the services consistently, efficiently and effectively throughout the contract term. They are usually described in terms of quality, availability and responsiveness.

We found that the cloud services contract did not contain performance standards for all key services. The Council could consider setting performance standards such as:

- how quickly the contractor responds to system user queries
- the average time taken to resolve issues
- the percentage of issues resolved within agreed time frames.

Performance standards provide a clear framework to monitor, measure and hold the contractor accountable for their performance. This enables the contract manager to identify and address non-performance issues early and help to identify and address emerging risks.

Light Regional Council's response

Council acknowledges the importance of including clear service levels and performance standards for all key contracts to ensure effective contractor performance management. These recommendations will be considered in the review as identified in 4.4.1.

4.4.4 Light Regional Council has not effectively evaluated contractor performance against agreed performance standards

---

Recommendation

Light Regional Council should obtain the information needed to effectively evaluate contractor performance for all contracts. Council staff need to have a good understanding of this information to determine its relevance in evaluating contractor performance against performance standards.

The Council should maintain records that evidence these evaluations and any further actions taken, such as communications with the contractor about underperformance.

Finding

We found that the Council needs to improve its practices for evaluating contractors' performance. For the three contracts we reviewed, the Council had not evaluated the contractors' performance against the agreed performance standards documented in the contract.

Waste services contract

The waste collection contract requires the contractor to provide performance data to show that it has met the agreed performance standards relating to missed bins, cleaning up spillages and resolving complaints within specific times.

The waste services contractor provides monthly performance reports with its invoice to the Council. While these reports provide the information that Council staff needs to evaluate the contractor's performance, there was no evidence of this evaluation.

The Council's contract manager monitors the operational requirements and the contractor's performance daily, but does not analyse the available information to evaluate the contractor's performance against the agreed performance standards.

ICT managed services contract

The Council receives monthly reports for ICT helpdesk services, but these reports did not provide enough information for Council staff to evaluate the contractor's performance against all the agreed performance standards.

The monthly reports also provide inaccurate information. This is because the Council and the contractor did not assess the impact of changes to the way system user issues/requests are managed on the performance data reported.

Cloud services contract

The Council did not evaluate the cloud services contractor's performance because service levels and performance standards for all key services were not determined.

It is important to manage contractor performance effectively because:

- it identifies any potential issues before they escalate and cause disruptions to Council services and operations

- it ensures the contract is achieving value for money, could identify opportunities for improvement and cost savings, and forms the basis for certifying invoices for payment

- it helps assess and mitigate risks, ensuring that contract objectives are met

- it can detect underperformance early and allow for corrective action, minimising the disruption to Council operations and delivering services to the community.

Light Regional Council's response

Council agrees that contractor performance must be evaluated consistently and against clearly defined standards. These recommendations will be considered in the review as identified in 4.4.1.

Training will continue to be provided to ensure staff are aware of the performance information that must be captured and stored within the records management system.

4.4.5   Light Regional Council does not obtain contractors' controls assurance over their IT environments

---

Recommendation

Light Regional Council should ensure that its IT contracts require contractors to provide assurance over their IT environments, where needed. The Council should obtain and review reports from its IT contractors to confirm that adequate controls are in place.

Finding

The increasing complexity of IT environments and cyber security threats reinforces the need for Light Regional Council to have a clear understanding of the reliability of the IT environments of the contractors it engages to provide IT services.

The Council needs assurance that its contractors have sound IT systems and control frameworks to protect Council data and to protect against, respond to and recover from cyber attacks.

While the cloud services contract includes a system security requirement, the Council has not obtained any reports from the contractor about this. These reports should be reviewed to confirm that the contractor has adequate system and organisational controls and raise any concerns with the contractor.

Light Regional Council's response

Council agrees that obtaining assurance over vendor IT controls is essential to protecting the confidentiality, integrity and availability of Council data.

A review is underway to strengthen Council's IT security controls and include requirements for vendors to demonstrate compliance with recognised standards (eg ISO 27001), penetration testing results and incident response plans.

These requirements will be integrated into procurement processes and vendor compliance will be regularly monitored throughout the life of the contract.

4.5   Contract risk management findings

4.5.1   Light Regional Council did not identify and assess contract risks

> ### Recommendation
>
> Light Regional Council should:
>
> - perform a risk assessment for all contracts and document it in a dedicated risk register or contract management plan. This should be done at the start of a contract and regularly reviewed and updated for new risks
>
> - ensure its procedures provide guidance on managing contract risks, including any risk reporting requirements.

Finding

Contract risks can arise from the terms and conditions of a contract, and can impact the successful execution and outcomes of the contract.

Council staff informed us that a risk assessment was performed and documented for each contract at the procurement stage. However, we found that the risks identified related only to the procurement process.

Council staff could not provide evidence that they had identified and assessed contract risks for the contracts we reviewed. On this basis, we concluded that the Council could not clearly demonstrate that they were effectively managing the contract risks.

Some of the possible contract risks for the contracts we reviewed are provided below.

Waste services contract

- Failure of the contractor to manage the collection and disposal of waste (including during emergency events), leading to a loss of control over waste management costs, increased resources going to landfill and risk to public health.

- Failure to implement appropriate plans and processes to manage challenges associated with changing market conditions.

- Failure of the contractor to meet service levels and performance standards, resulting in the Council not achieving its objectives or meeting community expectations.

ICT managed service and cloud services contract

- Failure to protect ICT infrastructure and data assets from malicious activity, leading to unauthorised access to personal and sensitive information and disruption to services.

- Failure of service availability, such as service interruptions from cloud providers when experiencing hardware failure, software bugs or network issues.

- Failure of contractors to comply with key conditions such as back-up and recovery processes and inadequate controls.

Without a clearly documented assessment of all contract risks, Council staff cannot determine and demonstrate that:

- all risks have been identified, assessed and treated, and the remaining risk levels are acceptable to the Council

- current controls and other risk treatments are effective, including their implementation, monitoring and evaluation to ensure they remain appropriate

- risk information is being reported to senior management, the audit and risk committee or the elected body as required.

Light Regional Council's response

Council acknowledges the current inconsistencies in capturing and managing contract and project risks. Work is underway to enhance how risks are recorded in Council's risks register and within relevant project documentation.

As part of this improvement, Council is assessing targeted risk management training for staff involved in procurement and contract management to ensure appropriate risk identification, documentation and reporting.

4.5.2 Light Regional Council has not identified and assessed contract management risks

> ### Recommendation
>
> Light Regional Council should analyse its contract management risks and document this in its operational risk register.

Finding

Contract management risks differ from the contract risks discussed in section 4.5.1. They can arise from managing contracts throughout their entire lifecycle. We reviewed the Council's operational risk register and found that they had not identified and assessed contract management risks, such as:

- failure to monitor and track contract performance

- failure to act when a contractor underperforms

- changes in key personnel involved in managing a contract

- failure to have sufficiently skilled and experienced resources to effectively manage contracts

- failure to comply with regulatory requirements or internal policies (for example, confidentiality and security breaches and record keeping).

Without a clearly documented assessment of the contract management risks, Council staff cannot determine and demonstrate whether:

- all risks have been identified, assessed and treated, and the remaining risk levels are acceptable to the Council

- current controls and other risk treatments are effective, including their implementation, monitoring and evaluation to ensure they remain appropriate

- risk information is reported to senior management, the audit and risk committee or the elected body as required.

Light Regional Council's response

Council acknowledges the current inconsistencies in capturing and managing contract and project risks. Work is underway to enhance how risks are recorded in Council's risks register and within relevant project documentation.

As part of this improvement, Council is assessing targeted risk management training for staff involved in procurement and contract management to ensure appropriate risk identification, documentation and reporting.

4.6 Managing extensions and variations findings

4.6.1 Light Regional Council did not assess value for money and contractor performance when evaluating contract extensions and variations

---

Recommendation

When evaluating contract extensions and variations, Light Regional Council should assess whether:

- the contract arrangements still offer the best value for money and continue to meet its current and future needs and requirements

- the contractor has demonstrated a history of good performance in delivering the services.

Finding

Of the three contracts we reviewed, only the ICT managed services contract was extended during the period we covered. It was extended in October 2024 for a further four years in line with the provisions of the contract, and variations were made at the same time.

Council staff prepared a report for senior management detailing the outcome of their assessment and the basis for recommending the contract extension and variations. We found that the report did not include:

- a like-for-like comparison of the service costs between the original contract pricing and the new pricing structure. As a result, it was not clear how the cost savings provided in the report were derived

- an assessment of whether the contract would realise the intended benefits and continue to achieve value for money by extending it and making the variations

- an evaluation of the contractor's performance against the agreed performance standards

- consideration of the Council's changing and future needs and requirements.

Council staff also informed us that some services were excluded from the new contract because the costs are variable and the contractor directly passes on the cost set by the third-party providers. While this is the case, the contract should document all required services provided by the contractor and the payment terms.

By not considering all of these factors, there is a risk that the Council will not realise the intended benefits and maintain value for money from these contract arrangements.

Light Regional Council's response

> *Council agrees that all contract variations and extensions should be supported by a robust assessment of contractor performance and value for money. These recommendations will be considered in the review as identified in 4.4.1.*

4.6.2 Light Regional Council did not identify a potential variation to the ICT managed services contract

---

Recommendation

Council staff should consult with the contractor to determine whether existing performance standards remain an effective way to measure the contractor's performance when changes in practice occur, and agree on revised performance standards if needed.

Council staff should also ensure the contractor provides reliable and accurate data to evaluate the contractor's performance against the agreed performance standards.

Any changes to the performance standards and performance reporting requirements should be considered a variation to the contract that must be in writing and authorised.

Finding

Contract variations can range from minor administrative changes, such as a change in personnel, to substantial changes that impact a contract's term, price and deliverables.

We found that there was a change in practice for the ICT managed services contract that the contract manager had not identified and then assessed whether a variation to the contract was required.

This contract requires all IT helpdesk system user issues/requests to be made directly to the contractor through their ticketing system. The contractor then assigns a priority level and addresses the issue/request. The priority level is linked to a service level and performance standard. For example, the contractor is required to respond to critical issues within one business hour and resolve it within eight business hours.

Our discussions with Council staff identified that a change had occurred and Council IT staff now receive the issue/request and determine whether they can resolve it themselves or the contractor's support is required. This change in practice potentially impacts the contractor's performance data. Council staff advised us that the data provided on the performance standard does not distinguish between issues/requests addressed by Council IT staff and the contractor. As a result, the Council cannot rely on this data to evaluate the contractor's performance for this service.

While a change like this may not have a significant impact on the contracted services, it is important for contract managers to:

- have a good understanding of the contract requirements and required services to identify changes

- assess the impact of changes on the delivery of services and whether the contract is still achieving value for money

- determine when a variation to the contract is required

- obtain the appropriate approvals and documents to evidence the agreed variation.

Light Regional Council's response

These recommendations will be considered in the review as identified in 4.4.1.

4.7 Contract administration findings

4.7.1 Light Regional Council did not appoint a contract manager for one contract

> ### Recommendation
>
> Light Regional Council should appoint a contract manager to manage the cloud services contract. The Council should also review its contract register to ensure it identifies a contract manager for all current contracts.
>
> Contract managers should receive training that gives them the knowledge and skills needed to undertake the role.

Finding

Light Regional Council's procurement procedure requires all contracts to have a contract manager who is responsible for the ongoing management of the contract, including understanding contractual requirements, deliverables and time frames.

We found that a contract manager was not appointed for the cloud services contract at the time of our review. Council staff informed us that:

- the previous contract manager ceased employment with the Council in November 2023

- in the absence of a contract manager, another staff member took on the role of liaison officer, meeting regularly with the contractor to progress system user issues/requests and system improvements.

We note that the liaison officer does not conduct all the activities of a contract manager.

Having a contract manager responsible for managing a contract ensures its successful implementation and that required services are delivered within agreed time frames. A contract manager helps to build relationships with the contractor, optimise contractor performance and service delivery, identify and resolve disputes and manage associated risks. They also contribute to ensuring the contract achieves the contract outcomes and value for money is maintained through the contract life.

Light Regional Council's response

Council acknowledges the importance of assigning a contract manager to oversee the effective delivery of contract obligations. A contract manager has now been appointed for the cloud services contract.

Training will continue to be provided to contract managers to ensure they are aware of their roles and responsibilities.

4.7.2 Light Regional Council could improve the recording of meeting outcomes with the contractor

---

Recommendation

Light Regional Council should ensure that contract review meetings are structured and formalised with documented agendas and minutes, in line with its procedure.

Finding

Light Regional Council's procurement procedure says that the contract manager is responsible for monitoring the performance of the contract. This includes:

- regular progress reviews and performance monitoring
- having regular meetings with the contractor that are structured and formalised around agenda and minutes.

Our review of the three contracts we selected found that meetings with contractors could be improved by having set agendas to ensure key matters are discussed. We also found that the outcomes of these meetings were not documented, including for example:

- any action items arising from the meeting, who is responsible for actioning them and by when
- unresolved issues that need further follow-up
- any emerging risks and mitigation strategies
- any non-performance matters.

Formalising meeting documentation will:

- evidence that Council has taken reasonable action to address issues before acting on non-performance, such as imposing penalties
- help new contract managers when there is a change in responsibility, as previous meeting records can be accessed to understand context, current issues and rationale for past decisions.

Light Regional Council's response

Council agrees that formalising contractor meetings, including setting agendas and recording minutes, is essential for effective contract management. These recommendations will be considered in the review as identified in 4.4.1.

4.7.3   Light Regional Council does not maintain adequate records for contract management

---

Recommendation

Light Regional Council should maintain adequate records to support its current contracts and effective contract management practices.

The Council should update its procedure to include the minimum contract documentation that must be maintained and clear instructions of where these records should be stored.

For future contracts, the Council should:

- determine the record keeping requirements of each contract when it starts
- document these requirements (for example, in a contract management plan).

Finding

Light Regional Council's procurement procedure says that records will be maintained, including documents like agendas and minutes of meetings and contract documentation.

We found gaps in records and instances where Council staff could not provide important documents that should have been readily available, such as:

- records to support the assessment and ongoing management of contract risks
- evidence to demonstrate that key contract requirements were met, such as determining KPIs
- records to support agreed changes in rates.

Poor record keeping can increase the risk of:

- overpayments, where the Council pays for services not delivered or has not imposed penalties for underperformance
- non-compliance with contractual and legal requirements and missing key milestones
- poor decision making where necessary information is not available or readily accessible
- inefficiency and increased costs when staff spend excessive time searching for misplaced documents
- ineffective contract management practices
- unauthorised access to sensitive and confidential information, resulting in data breaches and loss of information.

Appendix 4 lists the contract documentation that supports effective contract management.

Light Regional Council's response

> *Council agrees that maintaining records in alignment with its obligations under the State Records Act is important to show evidence of the transaction of a Council decision and supporting information should be addressed.*

> *Council will continue to provide training on information that should be captured in its records management system. These recommendations will be considered in the review as identified in 4.4.1.*

> *Council will also continue to monitor the suitability and compliance of its records management system against the State Records Act.*

4.7.4   Light Regional Council does not have a complete contract register

---

Recommendation

Light Regional Council should maintain a complete contract register for the contracts it is a party to. Its procedures should include the requirement to maintain an effective contract register.

Finding

A contract register is a centralised document used to track and manage contracts. An effective contract register includes information on each contract, including:

- purpose – what outcome is the Council trying to achieve
- duration – start and finish dates and when to plan for extensions
- contract value – total contract value, budgets to track expenditure and information for financial reporting purposes
- contractor – who is it with
- contract manager – who is responsible and accountable for managing the outcome.

We found that Light Regional Council's contract register was incomplete because:

- it did not make provision for key information, such as contract value
- it did not include all current contracts
- key information required by the register was missing for some contracts included, such as expiry dates.

It is important to have an effective contract register for several reasons, including:

- ensuring that all contracts are documented and easily accessible, which promotes transparency and accountability
- contributing to effective contract management by making it easier to monitor contract performance, deadlines and extensions

- keeping track of all financial commitments and expenditure, providing better financial control over budgeting
- supporting strategic planning and decision making by identifying contract trends, supplier performance and areas for improvement.

Light Regional Council's response

Council acknowledges the need for a complete and accurate contract register to provide oversight of contract obligations.

Council is exploring the procurement of a dedicated contract management system to improve visibility, compliance tracking and reporting for all contracts. This system would support the recording of key information such as risks, deliverables, service levels and review dates.

4.7.5 Light Regional Council does not independently check the weight of the kerbside bin collections for the waste services contract

---

Recommendation

Light Regional Council should implement a way to obtain independent assurance about the weight of kerbside waste collected. This could include obtaining weigh bridge dockets, or similar records, and reconciling them to invoices.

Finding

The waste services contractor provides monthly performance reports and invoices to Light Regional Council that summarise the waste collected, including the number of truck loads, tonnes collected and bins serviced.

Council staff advised us that they review these reports to identify any unusual items and, along with checking the invoice calculation, this forms the basis for certifying invoices for payment.

The Council is charged a rate per tonne for the disposal of waste. While the waste services contract requires the contractor to provide weigh bridge dockets (or equivalent), we found that the Council does not receive this information, and has not asked for it, to independently verify that the tonnages invoiced are correct.

Without an independent check of the tonnages collected, the Council cannot be certain of the accuracy of the disposal invoices provided by the contractor.

Light Regional Council's response

Council acknowledges this recommendation and has implemented a process to verify invoice claims through the provision of independent weighbridge data.

In addition, bin audits conducted by KESAB every four years help validate bin content and weight estimates, supporting the accuracy of waste services data and invoices.

4.8 Contract management procedure findings

4.8.1 Light Regional Council's procurement procedure does not provide sufficient guidance

> Recommendation
>
> Light Regional Council should update its procurement procedure to provide more guidance to improve the effectiveness of its contract management practices. The updated procedure should be communicated to all staff, supported by training and readily accessible.

Finding

Policies and procedures are important for maintaining good governance and efficient practices. We found that Light Regional Council's procurement procedure should provide more guidance to staff to improve the effectiveness of its contract management practices. The procedure does not provide enough guidance on:

- record keeping
- contract monitoring
- managing contractor performance
- contract performance reporting
- contract variations
- contract extensions
- managing contract risks.

Appendix 4 explains the guidance that is needed in these areas.

Light Regional Council's response

Council agrees that the procurement procedure should be strengthened to provide clearer guidance on effective contract management practices.

The procedure will be reviewed and updated as part of review outlined in 4.4.1. Updated guidance will be supported by staff training and made readily accessible.

4.9 What Light Regional Council did well

We identified some contract management activities that were operating effectively, including that:

- all contracts and invoices we reviewed were approved by an officer with delegated authority
- all contracts had key contractual requirements covering confidentiality, insurance and non-performance
- the waste services contract provided relevant service levels and performance standards.

5 City of Onkaparinga

5.1 Executive summary

5.1.1 Conclusion

We assessed whether the City of Onkaparinga has managed its contracts effectively to ensure the requirements for delivering contracted services/functions are met.

Our assessment was based on the review of three contracted services against the criteria in figure A1.1 in Appendix 1.

For the three contracts we reviewed, we concluded that the following key areas of the City of Onkaparinga's contract management activities were not operating effectively:

- For two contracts, the contractor's performance was not effectively evaluated against all the agreed performance standards in the contract.

- Not all contract and contract management risks were identified and assessed.

- Contract monitoring and reporting requirements were not fully established.

- Service levels for all key contracted services were not set for one contract.

- The contractor's performance against the agreed performance standards was not assessed when evaluating contract extensions and variations.

- More contract management guidance was needed to help staff manage contracts effectively.

We also identified activities that were effective, as the City of Onkaparinga had:

- approved contract extensions, variations and invoices in line with delegated authority

- checked the calculation of charges for all invoices we reviewed

- set relevant service levels and performance standards for the wastewater contract that were regularly evaluated

- allowed sufficient time to plan, and implement the planned actions, for the waste collections contract extension before it expired.

5.1.2 What we recommended

We recommended that the City of Onkaparinga should:

- set service levels and performance standards for all key contractual services to effectively manage the contractor's performance

- obtain information to effectively evaluate the contractor's performance

- assess all contract and contract management risks and document these assessments in a dedicated risk register or contract management plan

- establish contract monitoring and reporting processes to ensure key contract requirements are met and the delivery of agreed services during the contract term

- evaluate the contractor's performance when considering contract extensions and variations

- provide further guidance on contract management to improve the effectiveness of these activities.

While our findings relate to the three contracts we reviewed, we encouraged the City of Onkaparinga to consider the recommendations for all current and future contracts.

5.1.3   City of Onkaparinga's response

The City of Onkaparinga accepted our findings and told us how it would action our recommendations. Its responses to each recommendation are provided in sections 5.4 to 5.7.

Appendix 7 contains the City of Onkaparinga's response to this report.

5.2   Overview of the City of Onkaparinga

The City of Onkaparinga is the largest metropolitan council, located on Adelaide's southern fringe about 25 kilometres southeast of the CBD. It covers an area of around 518 km^2 with a population of 180,865 in 2023.[5]

The Council area is a mix of urban and rural communities and home to around 10% of South Australia's population.

5.2.1   City of Onkaparinga's contracted activity

The Council has contracts for key services and functions including:

- community wastewater management systems
- kerbside waste management
- road works and stormwater management
- information technology management
- community support services and programs
- animal management services
- reserve and sports ground maintenance.

The Council's reported contractor expenditure is shown in figure 5.1 and totalled $43 million in 2023-24.

---

[5]   City of Onkaparinga community profile, viewed 2 April 2025, <https://profile.id.com.au/onkaparinga/about>.

Figure 5.1: City of Onkaparinga's contractor expenditure for the past five years
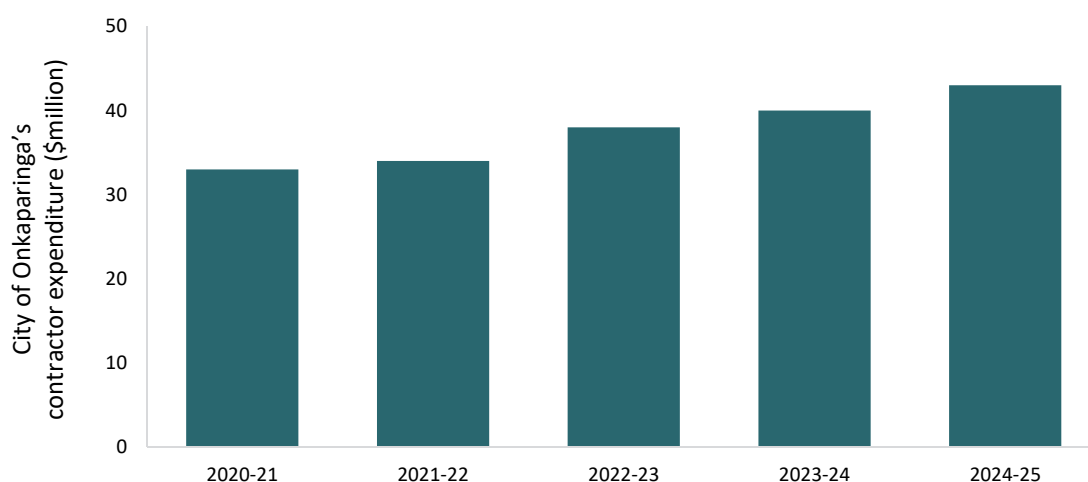
Source: The City of Onkaparinga's audited financial statements, which are audited by a private sector accounting firm.

Figure 5.1 shows the Council's expenditure on contractors steadily increasing after being relatively stable during COVID-19.

5.2.2   City of Onkaparinga's contract management procedures

The Council's contract management procedure:

• acknowledges that monitoring performance is at the core of contract management, to reduce contract risks and deliver contracts cost-effectively

• notes that the requirements to prepare a contract management plan and for the contract manager to evaluate contractor performance are key to sound contract management.

The Council's contract management framework that applied during the period we reviewed required contract managers to actively manage risks throughout the life of the contract. Identified contract risks needed to be documented in the corporate register, with an option for more significant contracts to have a separate risk plan that is reviewed and updated throughout the life of the contract. The contract management framework was superseded in March 2024 because most of its content had been incorporated into other procedures.

5.3   City of Onkaparinga contracts we reviewed

We reviewed the following contracted services to make our assessment.

Contracted service	Start date	Expiry date[6]	Contract value range
Wastewater services	9 April 2003	March 2030	over $50 million
Waste collection services	1 April 2014	31 March 2026	$10 million to $50 million
Information technology services	11 September 2018	29 September 2028	$5 million to $10 million

---

6   The expiry dates include any extensions to the original term.

We provide more details about these contracted services in Appendix 3.

5.4 Managing contractor performance findings

5.4.1 The City of Onkaparinga did not have service levels and performance standards for all key services under the IT contract

> **Recommendation**
>
> The City of Onkaparinga should ensure that service levels and performance standards are set for all key services provided under any future contracts. They should enable the Council to effectively manage the contractor's performance in delivering the required services. They should be agreed with the contractor and clearly documented in the contract.
>
> For its existing IT contract, the Council should perform a risk assessment to ensure risks associated with the contract terms and conditions are managed effectively.

Finding

The Council's IT contract did not include service levels and performance standards for all key services. It only had one performance standard, which was for the availability of software services on business days.

There are informal arrangements in place for system support services, but all service delivery requirements and arrangements should be documented in the contract. Informal arrangements increase the risk that the Council's requirements are not addressed in a timely way, as the contractor may assign a higher priority to clients that have them documented in their contracts.

We note that the IT contract is a standard agreement provided by the contractor and the Council advised us it has limited ability to modify the terms and conditions.

Service levels and performance standards should be determined and documented in contracts because they:

- provide a common understanding of the required service level for the agreed performance standards, which may minimise disputes between the Council and its contractors

Service level
Defines the scope of the services (such as what and to what extent) the contractor is to deliver. In delivering services to the community, these service levels would be aligned with those provided in the relevant council's service level policy.

Performance standards
The criteria used to measure how well the services are being delivered in line with the established service levels. They aim to ensure the contractor provides the services consistently, efficiently and effectively throughout the contract term. They are usually described in terms of quality, availability and responsiveness.

- can provide a clear framework to monitor, measure and hold the contractor accountable for delivering the contracted services and address non-performance issues early

- provide the basis for measuring the contractor's performance and authorising contractor payments.

City of Onkaparinga's response

Whilst this finding is agreed with in principle, it must be stated that Council has limited negotiating power with larger technology companies.

Council will include relevant performance standards for future IT contracts where practicable. A risk assessment will be performed for the existing IT contract.

5.4.2 The City of Onkaparinga has not effectively evaluated contractor performance against all agreed performance standards

> ### Recommendation
>
> The City of Onkaparinga should obtain information to effectively evaluate contractor performance for all of its contracts. Council staff need to have a good understanding of this information to determine its relevance in evaluating a contractor's performance against performance standards.
>
> The Council should maintain records that evidence these evaluations and any further actions arising from them, such as communications to the contractor about underperformance or errors in performance data.

Finding

We found that the Council needs to improve its practices for evaluating contractor performance under the IT and waste collection contracts. The Council had not evaluated contractor performance against all the agreed and documented performance standards for either of these contracts.

IT contract

The IT contract includes one performance standard for the software to be available for 99.5% of the time between 7 am and 7 pm on business days. It has no requirement for the contractor to report on its performance or to provide relevant information to enable the Council to evaluate the contractor's performance against the agreed performance standard.

The contract manager advised us that they evaluate the contractor's performance on their day-to-day experience of using the software. This is not a sufficient basis for evaluating the contractor's performance against the agreed performance standard. To evaluate it effectively, the Council may need a combination of tools and data on service availability.

Waste collections contract

The waste collections contract requires the contractor to provide performance data to show that they have met the following performance standards:

- spillages are cleaned up within two hours of occurring
- missed bins are collected and emptied by the end of the following working day
- bins for new services, and to replace those lost, stolen or damaged, are delivered within two working days.

The waste collections contractor provides monthly performance reports to the Council. These reports include:

- detailed information on bin services, including bin collection issues (for example, missed bins, explanations for service exceptions), new and cancelled bins, and bin repairs and replacements
- a summary of waste collected, including the total tonnes of recycling and organic waste collected by truck load
- statistics on response times in responding to customer service requests.

The contract manager advised us that:

- these reports are used to monitor the volume of organic waste collected and the number of new, additional and replacement bins supplied and check that they agree to the monthly invoice
- the response times in the reports are unreliable because of system limitations in both the Council's and the contractor's systems that were not identified during contract negotiations
- customer complaints are regularly monitored and staff work with the contractor to resolve issues as they arise.

While the contract manager monitors the operational requirements and the contractor's performance on a day-to-day basis, the Council does not have reliable information or data to evaluate the contractor's performance against the agreed performance standards in the contract. We found that the Council did not resolve the matter about the reliability of the reports with the contractor when it was first identified.

It is important to manage contractor performance effectively because it:

- identifies any potential issues before they escalate and cause disruptions to Council operations and services
- ensures the contract is achieving value for money, could identify opportunities for improvement and cost savings, and forms the basis for certifying invoices for payment
- helps assess and mitigate risks, ensuring that contract objectives are met
- can detect underperformance early and corrective action can then be taken to minimise disruption to Council operations and services delivered to the community
- provides documentary evidence to support the Council imposing any penalties for non-performance under the contract.

City of Onkaparinga's response

Council will continue to enhance procedures to ensure contractor performance can be effectively evaluated. Apply changes to contract management procedure and supporting tools and templates.

5.4.3 The City of Onkaparinga has not fully established monitoring and reporting requirements for contracts

---

Recommendation

The City of Onkaparinga should ensure a monitoring and reporting process is established at the start of its contracts to ensure key contract requirements are met and the delivery of agreed services during the contract term.

Consistent with its contract management procedure, the Council should establish contract management plans to help monitor key requirements, deliverables and milestones.

In consultation with the contractor, the Council should clarify the purpose and role of the waste performance management committee. Both parties should agree in writing to any changes to the way this committee operates. The Council should maintain appropriate governance arrangements to ensure proper oversight of the delivery of the contracted waste collection services.

Finding

The Council's contract management procedure says that monitoring performance is at the core of contract management to reduce contract risks and deliver contracts cost-effectively. It requires:

- the requesting officer to identify performance management and reporting activities when establishing the contract

- the contract manager to confirm performance and reporting arrangements with the contractor and establish a reporting process appropriate to the contract based on its value and risk

- progress updates to senior management

- a contract management plan to be prepared.

We found that performance and reporting arrangements were not fully established for the contracts we reviewed, and no contract management plans were prepared. The contract managers advised us that the contract provisions help them manage the contracts and monitor contractor performance.

We also found that the monitoring and reporting practices for the waste collections contract were not in line with the contract requirements. This contract requires a performance management committee to meet at least every three months during the contract term to

oversee service delivery. We found that this committee had not met over the 17-month period we reviewed. The contract manager advised us that:

- the committee had not met for some time as daily interaction with the contractor had ensured that any delivery issues were promptly dealt with

- meetings would be held when needed.

However, the performance management committee's role was broader than resolving performance issues, as it involved reviewing operations and considering future service improvements.

While the contract manager monitors the operational requirements on a day-to-day basis, this does not involve an assessment of contractor's performance against the performance standards. There is also no documentary evidence of reporting to Council's senior management on the performance of the contracted waste collections services.

City of Onkaparinga's response

During the period of this audit, Council was in the process of tendering and subsequently awarding a new kerbside recycling and organics collection. The new contract addresses the recommendations made against the previous contract.

5.4.4   The City of Onkaparinga's IT contract does not require the contractor to provide controls assurance reports

Recommendation

The City of Onkaparinga should ensure that future IT-related contracts require the contractor to provide assurance over their IT environments, where needed.

Finding

The increasing complexity of IT environments and risk of cyber security threats reinforce the need for the Council to have a clear understanding of security over the IT environments of the contractors they engage to provide IT services.

The Council needs assurance that the contractor has sound IT systems and control frameworks for protecting Council data and protecting, responding to and recovering from cyber attacks.

While the Council receives controls assurance reports from the contractor, the IT contract does not require these reports to be provided.

City of Onkaparinga's response

The Council accepted our recommendation and will take the following action:

Apply assurance requirements for future IT related contracts where practicable.

5.5 Contract risk management findings

5.5.1 The City of Onkaparinga did not identify and assess contract risks

---

Recommendation

The City of Onkaparinga should perform a risk assessment for all contracts and document it in a dedicated risk register or contract management plan. This should be done at the start of a contract and regularly reviewed and updated for new risks.

Finding

Contract risks can arise from the terms and conditions of a contract, and can impact the successful execution and outcomes of the contract.

We found that the Council's contract managers did not identify and assess the contract risks for the contracts we reviewed. Council governance staff advised us that in practice:

- risk assessments for contract risks are performed at the start of a contract and are not reviewed

- contract risks are treated as operational risks and the contract manager is responsible to manage them. They are not recorded in the corporate risk register unless the Council's governance staff determine that they should be because they have an unacceptable residual risk rating

- the Council's audit and risk committee receives a report of any new risks added and changes to the corporate risk register.

During our discussions, the contract managers did demonstrate that they were managing the operational risks of the contracted services and functions, but they did not consider the specific contract risks. On this basis, we concluded that the Council could not clearly demonstrate that they are effectively managing contract risks.

Some of the possible contract risks for the contracts we reviewed are provided below.

IT contract

- Failure of the contractor to protect IT infrastructure and data assets from malicious activity, leading to unauthorised access to personal and sensitive information and disruption to services.

- Failure of service availability, such as service interruptions from cloud providers when experiencing hardware failure, software bugs or network issues.

- Failure of the contractor to comply with key conditions such as backups and inadequate controls.

- Failure to restore data from backups.

Waste collections contract

- Failure of the contractor to manage the collection and processing of kerbside organics (including during emergency events), leading to increased waste management costs and impacting public health.

- Failure of the contractor to meet service levels and performance standards, resulting in the Council not achieving objectives or meeting community expectations.

Wastewater contract

- Failure of the contractor to effectively manage wastewater treatment (including during emergency events), leading to a risk to public health.

- Failure of the contractor to ensure the infrastructure is in good condition when it is transferred to Council at expiry of the contract.

- Failure of the contractor to meet service levels and performance standards, impacting Council's objectives and community expectations.

Without a clearly documented assessment of all contract risks, Council staff cannot determine and demonstrate that:

- all risks have been identified, assessed and treated, and the remaining risk levels are acceptable to the Council

- current controls and other risk treatments are effective, including their implementation, monitoring and evaluation to ensure they remain appropriate

- risk information is being reported to the Council's senior management, audit and risk committee or elected body as required.

City of Onkaparinga's response

The Council acknowledged this finding and responded that:

A risk assessment was provided for the waste contract and a small number of relevant operational risks were provided in the corporate risk register.

Risk assessments will be captured in the procurement evaluation report and high and extreme contractual risks will be considered for capture in the corporate risk register and/or relevant contract management plan. Such assessments will be reported to the audit and risk committee.

5.5.2 The City of Onkaparinga has not identified and assessed all contract management risks

> ### Recommendation
>
> The City of Onkaparinga should analyse all of its contract management risks and document this in its corporate risk register.

Finding

Contract management risks differ from the contract risks discussed in section 5.5.1. Contract management risks can arise from managing contracts throughout their entire lifecycle.

We reviewed the Council's corporate risk register and found that some contract management risks had been identified and assessed, such as the risk of:

- failure to ensure contractors had sufficient insurance
- failure of Council staff to follow contract management procedures.

Other contract management risks that should be considered and were not include the risk of:

- failure to monitor and track contract performance
- failure to act when a contractor underperforms
- changes in key personnel involved in managing the contract
- failure to have sufficiently skilled and experienced staff to effectively manage contracts
- failure to comply with regulatory requirements.

Without a documented assessment of all contract management risks, Council staff cannot determine and demonstrate whether:

- all risks have been identified, adequately assessed and treated, and the remaining risk levels are acceptable to the Council

- current controls and other risk treatments are effective, including their implementation, monitoring and evaluation to ensure they remain appropriate

- risk information is being reported to the Council's senior management, audit and risk committee or elected body as required.

City of Onkaparinga's response

> *A risk assessment will be captured in the procurement evaluation report and high and extreme contractual risks will be considered for capture in the corporate risk register and/or relevant contract management plan. Such assessments will be reported to the audit and risk committee.*

5.6 Managing extensions and variations findings

5.6.1 The City of Onkaparinga did not assess the contractor's performance against agreed standards when evaluating contract extensions and variations

> Recommendation
>
> When evaluating contract extensions and variations, the City of Onkaparinga should assess whether the contractor has demonstrated a history of good performance in delivering the services.
>
> The Council should provide further guidance in its contract management procedures to help staff evaluate contract extensions and variations and support the decision-making process.

Finding

The Council's contract management procedure states that all contract extensions and variations must be undertaken in line with the contract. The procedure does not provide any further information on making an assessment to support the decision to vary or extend the contract.

Of the three contracts we reviewed, two were extended and one was varied. Council staff prepared reports for the Chief Executive Officer detailing the outcome of their assessment and basis to recommend the contract extension or variation. Each report included:

- an evaluation of the change to the contract and consequences to ensure the intended benefits of the contract were maintained

- an assessment of value for money based on a market analysis.

We found that Council staff's assessments did not include an evaluation of the contractor's performance against performance standards. They could not rely on past performance evaluations because of the gaps in the Council's performance evaluation practices discussed in section 5.4.2.

The contractor's performance should be considered to ensure any required improvements are identified and made, and to help decide whether the contract should be extended or varied.

City of Onkaparinga's response

The Council accepted the recommendation and will take the following action:

> *Update contract management procedure to include additional guidance as per recommendation.*

5.7   Contract management procedure findings

5.7.1   The City of Onkaparinga's contract management procedure does not provide sufficient guidance

> ### Recommendation
>
> The City of Onkaparinga should update its contract management procedure to provide more guidance to improve the effectiveness of its contract management practices. The updated procedure should be communicated to all staff and made readily accessible.
>
> The contract management procedure should also be updated to provide guidance on crucial contract management activities that were previously in its contract management framework, such as:
>
> * identified contract risks being documented in a corporate risk register
>
> * due consideration being given before extending a contract as to whether:
>
>   — the need for the requirement is still ongoing
>   — the contractor is performing satisfactorily
>   — the contractor offers reasonable value in comparison to other contractors in the market
>   — there are significant risk factors associated with changing contractor such as cost, time, and interruption to service
>
> * having a list of records and who is responsible for them.

Finding

Policies and procedures are important for maintaining good governance and supporting effective practices.

Council staff advised us that the Council's contract management framework was superseded in March 2024 and the contract management procedure is currently used to guide contract managers. The framework contained necessary provisions for effective contract management that are not in the current procedure. We also found that the Council's contract management procedure could provide more guidance in the following areas to improve the effectiveness of its practices:

* managing contractor performance
* monitoring and reporting contract performance
* managing contract risks
* contract extensions and variations.

Appendix 4 explains the guidance that is needed in these areas.

City of Onkaparinga's response

The Council accepted our recommendation and will take the following action:

Update contract management procedure to include additional guidance as per recommendation.

5.8   What the City of Onkaparinga did well

We identified some contract management activities that were operating effectively, including that:

- all contracts and invoices we reviewed were approved by an officer with delegated authority

- all invoices we reviewed were checked for calculation of the charges

- the wastewater contract provided relevant service levels and performance standards and the contract manager regularly evaluated the contractor's performance against these performance standards

- sufficient time was allowed to plan, and implement the planned actions, for the waste collections contract extension before it expired.

Appendix 1 – Audit mandate, objective and scope

A1.1 Our mandate

The Auditor-General has authority to conduct this review under section 32(1)(c) of the *Public Finance and Audit Act 1987* (PFAA). This section allows the Auditor-General to review the efficiency, economy and effectiveness of the activities of a public funded body.

Section 4 of the PFAA includes a council constituted under the *Local Government Act 1999* (LG Act) in the definition of a publicly funded body.

This review is a reasonable assurance engagement where we conclude on the performance of an activity against the identified criteria. It is conducted in line with the Australian Standard on Assurance Engagement ASAE 3500 *Performance Engagements*.

A1.2 Our objective

The objective of our review was to assess whether selected councils are effectively managing their contracts to ensure the requirements for delivering the contracted service/function are met.

A1.3 What we reviewed and how

Our review focused on the following contract management areas:

- managing contract and contract management risks
- managing contractor performance and key contractual requirements
- managing contract extensions and variations.

We assessed whether the two councils we selected to review are effectively managing their contracts against the criteria in figure A1.1.

Figure A1.1: Performance audit sub-objectives and criteria

Sub-objective 1: Is the Council effectively managing contract and contract management risks

Criteria 1.1	The Council has identified and assessed risks associated with the contract and management of them and documented how these risks will be managed (ie mitigation controls and treatment).
Criteria 1.2	The Council has monitored and reported risks associated with the contract and the management of them.

Sub-objective 2: Is the Council effectively managing contractor performance and key contractual requirements in delivering the agreed service

Criteria 2.1	Contracts provide clear and relevant performance measures that are consistent with the level of service the Council is required to deliver to its community.

Criteria 2.2   The Council regularly monitors the contractor's performance and evaluates it against the agreed performance and key contract requirements.

Criteria 2.3   The Council takes timely and appropriate action to address issues of non-performance, disagreements and disputes.

Criteria 2.4   Contractor payments were correct, authorised and based on the delivery of agreed level of service.

Sub-objective 3: Is the Council effectively managing contract variations

Criteria 3.1   Contract variations were appropriately authorised and evaluated to ensure the intended benefits of the contract were maintained.

Sub-objective 4: Is the Council effectively managing contract extensions

Criteria 4.1   The Council effectively planned for contract expiry dates and conducted market analysis prior to extending contracts.

We reviewed documents and spoke to Council staff to conduct our review. We considered:

- LG Act requirements
- Council policies and procedures relevant to our review objective
- risk management processes based on ISO 31000:2018 *Risk management guidelines*
- LGA Procurement's Procurement handbook, 2014
- contract management processes based on various policies, guidelines and guides prepared by government organisations.

A1.4   We surveyed councils

When we planned our review in February 2024, we surveyed South Australian councils to obtain insight into their contract arrangements, such as the nature and total value of the top 10 contracted services/functions, the extent of contract extensions and variations, and challenges they face in managing contracts.

We achieved a high response rate, with responses from 90% of the councils we surveyed. 100% of metropolitan councils and 85% of regional councils responded. Some councils did not respond to all the survey questions.

We analysed the responses to select two councils for detailed review, including identifying councils with high-value contracts over $500,000 and those with low-value contracts assessed as high-risk by the council.

We have summarised some of the survey responses in section 3 for context. We did not verify these responses or audit the survey results. We did not form a conclusion about the responses, and they did not inform our conclusions about the two councils we reviewed in detail.

A1.5   What we did not review

We did not assess:

- risk management practices across all council functions. We focused on risks relevant to contract management and the contracts we reviewed

- the procurement and contract negotiation processes that resulted in the contracts we reviewed

- whether the councils had effectively managed the services relating to the contracts we reviewed

- the City of Onkaparinga's procurement process for its future waste services, which resulted in a new contract that starts on 1 April 2026.

Appendix 2 – Relevant law and guidance

A2.1 *Local Government Act 1999*

In performing their roles and functions, the LG Act requires councils to uphold and observe many principles, including managing their operations in a way that provides services, facilities and programs effectively and efficiently and maintaining standards of good public administration.

The LG Act and Regulations do not prescribe specific requirements for contract management. However, section 49 of the LG Act requires councils to maintain procurement policies, practices and procedures and policies on contracts and tenders. These policies are directed at:

- obtaining value for money in contracting out services

- providing ethical and fair treatment to participants

- competitive tendering and using other measures to ensure that services are delivered cost-effectively

- ensuring probity, accountability and transparency in procurement operations.

A2.2 Local Government Association support

The Local Government Association of South Australia and its subsidiaries, LGA Procurement and LGA Mutual, provide support to councils in contract management and associated risk areas, including as follows:

- The Local Government Association of South Australia offers training courses to councils, covering contract management, good governance practices, legislative compliance and records management.

- LGA Procurement helps councils by offering Goods, Works and Services Agreements, as well as a Purchase Order Terms and Conditions template, each accompanied by drafting notes to guide councils. LGA Procurement also delivers procurement training that covers contract management requirements.

- LGA Mutual, through its service provider Local Government Risk Services (LGRS), has Liability Risk Advisors and an in-house legal panel to advise councils on contract management in relation to managing work health and safety, civil liability and other risks. Training sessions, systems, tools and information guides are also provided to councils through the LGRS member portal and a network of regionally based advisors.

Appendix 3 – Details of the contracts we reviewed

A3.1   Light Regional Council contracts

Waste services

Waste collection is an essential and highly valued service provided by councils to their communities. It must be effectively managed to ensure the health, wellbeing and safety of the public is preserved, the environment is protected and resources are recovered.

The Council contracted a third party for waste collection and disposal on 1 July 2018 for a contract value range of $5 million to $10 million. Waste includes general waste, recyclables, organics, street litter and hard waste.

ICT managed services

The increasing complexity of ICT environments and risk of cyber security threats reinforce the need for councils to have clear visibility, understanding of and security over their ICT infrastructure. The Council recognised that its current ICT environments exceeded its internal resourcing capacity, and engaged a third party to help manage its ICT environment effectively and achieve its strategic and operational goals.

The Council contracted a third party to manage its ICT services on 1 November 2020 for a contract value range of $1 million to $5 million. The contract was for four years with an option to extend for another four years. It was extended in October 2024.

The contractor is responsible for providing the following key services:

- managing servers, network infrastructure and internet supply
- security maintenance, including backups and security reviews
- help desk services
- monitoring and improving the Council's investments in public cloud technologies.

Cloud services

Since June 2022, the Council has had a contract for a cloud solution for a contract value of less than $500,000. The contract is for five years with two options to extend, each for five years.

This software supports the Council's key systems including property, rating, receipting, animal management, infringements and regulatory functions.

The software provider is required to provide the Council the capability to use its applications running on a cloud infrastructure. The applications are accessible from various Council devices. The Council does not manage or control the underlying cloud infrastructure, which includes networks, servers, operating systems and storage.

A3.2   City of Onkaparinga contracts

Wastewater services

Wastewater collection, treatment and disposal is an essential service provided by councils to their communities in areas where the South Australian Water Corporation does not provide this service. It must be effectively managed to ensure the health, wellbeing and safety of the public is preserved and the environment is protected.

The Council contracted a third party for some wastewater services from 9 April 2003 until March 2030, with a total value of over $50 million. The contract includes wastewater treatment plants and a de-sludging program for properties connected to the Council's wastewater management systems.

Waste collection services

Waste collection is an essential and highly valued service provided by councils to their communities. It must be effectively managed to ensure the health, wellbeing and safety of the public is preserved, the environment is protected and resources are recovered.

The Council contracted a third party to deliver some of its waste services from 1 April 2014 for a contract value between $10 million and $50 million. The contract was extended for two years in October 2023, ending on 31 March 2026. The contracted waste services include the collection of kerbside recycling and organics (yellow and green bins) and delivering organics to a processing facility.

During our review, the Council started to procure its future waste services and has now awarded contracts that start on 1 April 2026. We did not review the procurement process or the new contract arrangements.

Other waste services, such as collecting general waste and hard waste, are provided by the Council using internal resources.

IT services

The increasing complexity of IT environments and risk of cyber security threats reinforce the need for councils to have clear visibility, understanding of and security over their IT platforms.

Since September 2018, the Council has a contract for a software solution with cloud storage with a contract value between $5 million and $10 million. The contract was for five years initially and has been extended for a further five years.

This software supports the Council's key systems including property, rating, receipting, animal management, infringements and regulatory functions.

The applications are accessible from various Council devices. The Council does not manage or control the underlying cloud infrastructure, which includes networks, servers, operating systems and storage.

Appendix 4 – Key insights on contract management for all councils

Contract management aims to ensure that the contractor delivers the service to the required standard, on time and for the agreed amount while providing value for money over the term of the contract. Councils should have effective contract management activities to achieve this, and to meet management and reporting responsibilities and key contract requirements.

The nature and extent of a council's contract management arrangements will depend on:

- the nature, complexity and value of the contract

- the council's contract management risks and the risks associated with the contract

- how important the contract deliverables are to the council achieving its objectives and providing services to its community.

A4.1   Staff with skills and knowledge needed to manage contracts

A contract manager helps build relationships with the contractor, optimise contractor performance and service delivery, identify and resolve disputes and manage associated risks. Their role significantly contributes to ensuring the contract outcomes are achieved, the required services are delivered successfully and value for money is maintained throughout the contract term.

Often operational staff responsible for the contracted service or function are assigned responsibility for managing the contract. While they have a sound understanding of the contracted services being provided, they must also have the skills and knowledge needed to manage contracts and a sound understanding of the terms and conditions of the contract they manage.

Councils should provide training and have contract management policies and procedures that provide sufficient information to help staff manage contracts effectively and support consistent practices. Appendix 5 provides more details about contract management policies and procedures.

A4.2   Manage contract risks

Risk management is an essential process that should be embedded into a council's existing practices and operations, including contract management.

Contract risks can arise from the terms and conditions of a contract and can impact the successful execution and outcomes of the contract. They should be identified and considered before finalising the contract and managed through to contract expiry.

Consistent with a council's risk management framework, the risks and risk treatments should be regularly reviewed and updated along with any new risks and treatments that arise during the contract term. Risk assessments should be documented in, for example, a dedicated risk register or contract management plan.

Common contract risks include:

- the contractor failing to comply with key contractual conditions

- the contractor failing to meet the required service levels and agreed performance standards

- contract changes not being treated as contract variations

- unauthorised access to personal and sensitive information.

A4.3 Monitor and evaluate the contractor's performance regularly

Value for money is not achieved if a contract is not designed and managed with a focus on achieving performance. For a council to effectively monitor and evaluate the contractor's performance, the contract must contain:

- service levels and performance standards, including performance indicators and targets, for the key required services. This provides a framework to monitor, measure and hold the contractor accountable for their performance

- the information and data requirements the council needs to evaluate the contractor's performance against the agreed performance standards

- the process to resolve non-performance matters, including imposing penalties or terminating the contract.

The council must then regularly evaluate the contractor's performance, which involves:

- collecting relevant, accurate and timely data on the contractor's performance

- verifying and analysing the data to evaluate the contractor's performance against the agreed performance standards

- taking appropriate and timely action to address underperformance, or to amend the performance standard or contract requirements as needed

- having regular meetings with the contractor to discuss performance and issues

- keeping a record of the evaluation that supports remedial action if a contractor fails to perform. This evaluation also informs decisions on contract extensions and variations and future procurement processes for similar services.

Operational staff should ideally be involved in the procurement and contract development stages as they:

- have the required knowledge about the services contracted out
- can help determine relevant performance requirements.

A4.4   Maintain adequate records

Keeping good records is a fundamental contract management activity. Good records should provide:

- information to inform the ongoing management of the contract. This is particularly important for long-term contracts where there can be a change in contract management responsibility

- information to help assess and strengthen the council's negotiating position in exercising the option to extend or vary a contract

- evidence to support past decisions and inform future decisions during the contract term, including any changes to the scope of services that have not resulted in a variation to the contract

- information to support the approval of contractor payments

- evidence of key documents required under the contract

- accurate records of formal meetings

- performance evaluations and outcomes, including a documented management trail of any issues raised and actioned.

A contract management plan is a useful tool that can help staff manage contract requirements, including the obligations of the contractor and the council, and monitor and report on contract performance. Appendix 5 provides more examples of key contract documentation that should be maintained.

Appendix 8 provides a list of Auditor-General reports on past reviews of contract management and contracted services where we have identified similar matters to those raised in this review.

Appendix 5 – Further information on contract management activities

A5.1   Key contract management activities

A council's contract management activities will vary depending on the nature, risk, complexity and value of each contract. Figure A5.1 provides a list of key contract management activities. We did not consider all of these activities in our review, instead focusing on the ones that were relevant to our review objectives in Appendix 1 and are highlighted below.

Figure A5.1: Key contract management activities

Procurement

Contract development and negotiation	Involve or consult staff who will be responsible for managing the contract and/or have operational responsibility for the area that is being contracted
	Clearly define the contract service deliverables and performance standards
	Determine the performance management framework to help monitor and assess contractor's performance
	Identify and assess contract risks at the start of the contract term. The risk assessment should be documented in a dedicated risk register/risk management plan or in the contract management plan
	Develop the contract management plan or checklist
Awarding the contract	Review final draft to ensure it reflects all discussions and agreements between the parties
	Obtain approvals to enter and sign the contract

Contract management

Contract administration (Contract start-up)	Establish internal roles and responsibilities, such as appointing a contract manager
	Conduct contract start-up meeting with the contractor
	Classify the contract to determine the nature and extent of the contract management practices and the information required in a contract management plan or checklist
	Update the contract management plan or checklist for information to help manage the contract, including:
	• the key contractual requirements, obligations of the council and contractor and milestones
	• the contract monitoring and reporting processes
	• key stakeholder communication protocols

	• record keeping and documentation requirements
	Monitor contract milestones, such as contract end dates and options for extension
	Manage key stakeholder relationships
	Maintain contract documentation and complete records to support management of the contract. This includes maintaining details of key people involved in the contract, such as the council's and contractor's representatives
	Manage contractor payments, including verifying invoices and organising relevant approvals
Managing contract risks	**Identify and assess any new contract risks during the contract term**
	Regular monitoring, evaluation and reporting of these risks throughout the contract term
Contract performance	**Evaluate, manage and report on contractor performance and address non-performance matters and complaints**
	Monitor and report on compliance with key contract requirements to senior management
	Manage contract variations
	Manage contractual disputes
Contract closure	**Manage extensions**
	Manage relevant transition requirements and contract closure activities
	Conduct a final meeting with the contractor
	Consider lessons learned

A5.2   Procedural guidance

Policies and procedures are important for maintaining good governance and efficient practices. They should provide sufficient information to:

- guide staff to make decisions and overcome problems efficiently

- support consistent practices and decision making across the council to mitigate bias risk and promote confidence in the activities

- provide a clear understanding of roles and responsibilities and clear accountability of the council and its staff.

Our review highlighted the need for both councils to provide further guidance on contract management activities, including the following.

Record keeping

Guidance to help contract managers identify, gather and record relevant information to support and inform ongoing effective contract management. Contract documentation includes:

- the signed contract and any agreed variations

- a contract management plan (which includes the key contractual requirements to be monitored)

- risk assessments and risk management plans

- key documents required under the contract (for example insurances, indemnities)

- plans and schedules (for example, business continuity plans and meeting schedules)

- performance reviews (including evaluations, discussions and performance assessments)

- meeting agenda and records of the outcome of these meetings and contract discussions

- records of important decisions, including approvals

- financial documents (including budgets and invoices)

- formal letters to supplier (for example, letters about performance issues, disputes and complaints).

The guidance should include the requirement to maintain a contract register to track all council contracts, determine who will be responsible for maintaining the register and the procedures for maintaining it to ensure the information is accurate and complete.

Contract monitoring

Guidance to help council staff classify contracts into categories based on their nature, value, risk and complexity (for example, transactional, routine, complex and strategic). Outlining specific requirements based on these categories to help the contract manager determine the key contract management activities for the contract, such as whether a contract management plan or a simple checklist should be established to help manage a contract.

A contract management plan is a useful tool as it establishes systems and processes to ensure that the contractor and council comply with the terms and conditions during the life of the contract. It establishes a framework for monitoring contract performance and managing contract risks.

Managing contractor performance

Guidance on evaluating the contractor's performance in delivering the required services or functions. A framework should be established early to help the contract manager effectively manage the contractor's performance throughout the contract life. It should be detailed in the contract and, where applicable, in a contract management plan.

Contract performance reporting

Guidance for when reporting of contractor performance is required. The classification of the contract would determine the level of reporting and to what body (for example, senior management, chief executive officer, council or audit and risk committee). The reporting could include:

- contract expenditure
- allocated resources
- contract outcomes against objectives and supplier performance
- contract variations
- risk reviews.

Contract variations

Guidance to help the contract manager manage and make decisions about contract variations, such as:

- assessing whether the variation is needed
- the effect it will have on delivery of services
- how it will affect the contract price and budget
- whether the variation creates any new risks
- whether the variation affects the original value-for-money assessment
- whether the variation affects other terms and conditions of the contract.

Contract extensions

Guidance to help the contract manager manage and make decisions about contract extensions, including:

- whether the contract extension will continue to deliver value for money and when a supply market analysis should be performed

- the contractor's past performance evaluations

- whether the contract extension supports the council's current and future needs or requirements

- whether better value for money would be obtained by undertaking a new procurement process.

Managing contract risks

While risks should be managed in line with a council's risk management policy, specific guidance on managing contract risks could be of benefit to contract managers, such as:

- when and how to perform the risk assessment
- sources and examples of contract risks
- where to document the risk assessment
- when and how to develop a risk management plan
- the monitoring and reporting requirements of contract risks.

Appendix 6 – Response from Light Regional Council

26 May 2025

Mr Andrew Blaskett
Auditor-General
Audit Office of South Australia
Level 9, State Administration Centre
200 Victoria Square
Adelaide SA 5000

Email: records@audit.sa.gov.au

Email light@light.sa.gov.au
Post PO Box 72, Kapunda SA 5373
Phone 08 8525 3200
Web light.sa.gov.au

Principal Office
93 Main Street
Kapunda SA 5373

**Kapunda Public Library
and Visitor Information Centre**
51–53 Main Street
Kapunda SA 5373

**Freeling Public Library
and Customer Service Centre**
7 Hanson Street
Freeling SA 5372

**Planning and
Development Services**
12 Hanson Street
Freeling SA 5372

Operations Centre
11 Stephenson Street
Freeling SA 5372

Dear Mr Blaskett,

Review of contract management

Thank you for providing Council with a copy of the final report to be submitted to Parliament regarding the review of contract management.

Council appreciates the opportunity to provide further comment and confirms that there are no additional updates or responses beyond those already provided.

We would like to extend our sincere thanks to you and your staff for the professional and collaborative manner in which the review was conducted. The report offers valuable insights into both the strengths of Council's current contract management practices and the areas where further improvement is needed.

Council acknowledges the critical importance of having effective contract management activities in place—ensuring that contractors deliver services to the required standard, within agreed timeframes and budgets, while achieving value for money across the life of the contract.

Council remains committed to continuous improvement in this area and will be guided by the recommendations outlined in the report to strengthen our policies, systems, and practices moving forward.

Yours sincerely,

Michael Phillips-Ryder
Acting Mayor

Appendix 7 – Response from the City of Onkaparinga

28 May 2025
Our ref: ECM 6781825
Your ref: A24/511

CITY OF ONKAPARINGA

Andrew Blaskett
Auditor General
Audit Office of South Australia
enquiries@audit.sa.gov.au

Dear Andrew,

Thank you for providing a copy of your cover letter and report to Parliament regarding the Audit Office of South Australia's '*Review of Contract Management*' for the City of Onkaparinga.

We acknowledge receipt of this report that was emailed to the City of Onkaparinga's Mayor (Moira Were) and CEO (Phu Nguyen) on 14 May 2025. This letter responds to the findings and recommendations of the Audit Office of South Australia and notes that the Parliamentary report will now be finalised by Audit SA.

Of the nine (9) recommendations provided, one (1) has already been actioned, six (6) have been accepted, and two (2) have been acknowledged with notes.

With regard to the selection of three (3) longstanding contracts for review by Audit SA, these were established in 2003 (wastewater), 2013 (recyclables & organics collection) and 2018 (IT systems). Council recognises there are constraints in attempting to apply changes to existing contracts, however recommendations will be applied where practicable. It is also important to note that during this review period the Council tendered and awarded a new contract for recyclables and organics collection commencing in 2026. Consequently, some of the report's recommendations have already been implemented into the new agreement and are now obsolete.

The City of Onkaparinga acknowledges the process applied by Audit SA, and we will use these finding and recommendations to continue to enhance our contract and risk management protocols.

Please refer to Appendix A for summary of Council's responses to recommendations and findings.

Yours sincerely

Phu Nguyen
Chief Executive Officer

Appendix 8 – Relevant Auditor-General's reports

Contract management is a common activity for both state and local government entities. In the past we have identified similar matters to those raised in this review. Figure A8.1 lists some of our past reviews on contract management and similar contracted services.

Figure A8.1 Past reports by the Auditor-General on contract management and contracted services

Sector	Report year	Report title
State Government	Report 9 of 2024	Annual report for the year ended 30 June 2024 Part B – Controls opinion
Local Government	Report 4 of 2023	Management of community wastewater management systems
Local Government	Report 5 of 2022	Management of kerbside waste services
State Government	Report 10 of 2019	Country Health property maintenance
State Government	Report 11 of 2018	New Royal Adelaide Hospital Operating term arrangements
Local Government	Report 6 of 2015	Examination of the local government indemnity schemes

These reports are available on the Audit Office of South Australia's website – www.audit.sa.gov.au/reports.

Appendix 9 – Abbreviations and terms used in this report

The abbreviations and contract management terms used in our report are as follows.

Term	Description
Contract management risks	arise from managing contracts throughout the entire lifecycle of a contract
Contract risks	arise from the terms and conditions of a contract and can impact the successful execution and outcomes of the contract
Extensions	occur when the contract has the option to extend the agreed terms of the contract for a further period of time and both parties agree to the extension
ICT services	information and communication technology services
IT services	information technology services
Key performance indicator (KPI)	a quantitative metric used to measure how well the performance standards are being met
LG Act	*Local Government Act 1999*
LGA	Local Government Association
LGRS	Local Government Risk Services
Performance standards	the criteria used to measure how well the services are being delivered in line with the established service levels. They aim to ensure the contractor provides the services consistently, efficiently and effectively throughout the contract term. They are usually described in terms of quality, availability and responsiveness
Performance management	involves the activities to monitor and assess the contractor's performance to ensure the required services are delivered to the agreed performance standard under the contract. Performance management takes place throughout the life of the contract
Required service levels	defines the scope of the services (such as what and to what extent) the contractor is to deliver. In delivering services to the community, these service levels would be aligned with those provided in the relevant council's service level policy
Variations	refer to adding, removing or changing an existing contract to change the scope or value of the contract

Annexure

Information will be published on the Audit Office of South Australia's website

Section 32(6) of the PFAA allows the Auditor-General to publish information on a website. I have published a video summarising the results of this review on the Audit Office of South Australia's website – www.audit.sa.gov.au.