



CITY OF ADELAIDE

Annual audit plan

30 June 2024

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Dear Audit and Risk Committee Members

Thank you for the opportunity to present our annual audit plan ('plan') for City of Adelaide ('Council' or 'CoA') for the year ending 30 June 2024.

Our plan has been developed with input from Council's management and continues to be based on our understanding of City of Adelaide's business and operating environment.

We acknowledge that throughout the year there may be business developments, circumstances may change and additional matters may arise. Our plan will be responsive to your needs and will maximise audit effectiveness so we can deliver the high-quality audit you expect.

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

We welcome the opportunity to discuss our plan with you at the Audit & Risk Committee on 16 February 2024.

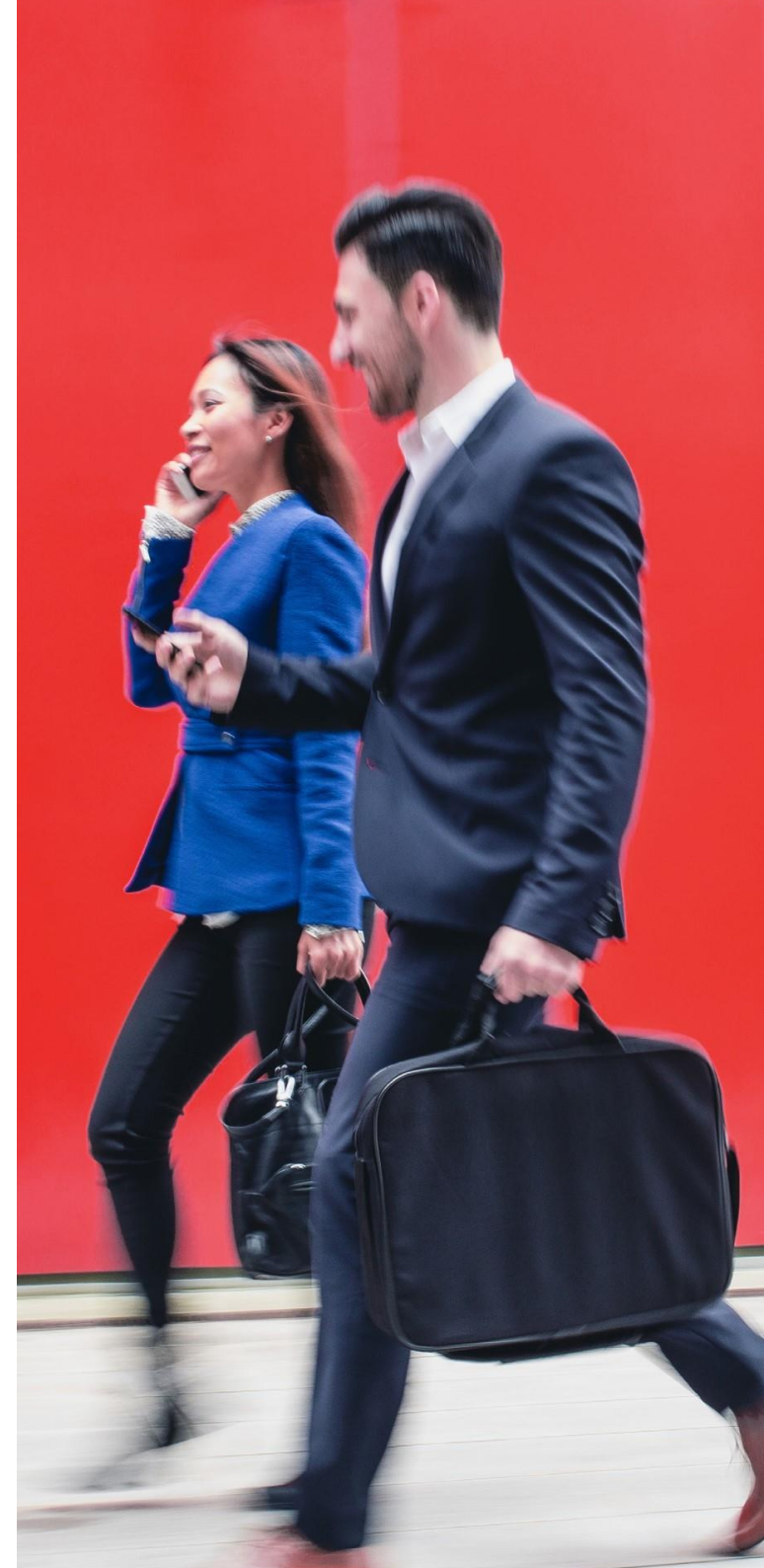
Please feel free to contact me on +61 8 7324 6147 if you have any questions or would like to discuss the content of this plan further.

Yours faithfully



Linh Dao
Lead audit partner

Adelaide, 25 January 2024





YOUR BDO TEAM

Your engagement team provides a combination of continuity and fresh ideas. This helps to ensure that we build on previous experience and make the audit process as smooth as possible.

YOUR BDO TEAM

Our audit of City of Adelaide will be led by Linh Dao as Engagement Partner. Linh will oversee the co-ordination of the audit and will have primary responsibility for working with Anthony Spartalis, Nicole Van Berkel and their team.

Supporting Linh will be Jennifer Zhou as audit manager and Andy Nguyen as senior in charge.

Jennifer is responsible for the day-to-day direction of the audit work and is the key point of contact for Council management.

The day-to-day audit team will be led by Jennifer.

SPECIALISTS

When auditing key judgements, we are often required to engage specialists who have qualifications and expertise not possessed by the core audit team.

Supporting the engagement team will be our IT Specialist, who will review the IT environment and any relevant IT general controls as part of the audit.



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OUR OBJECTIVES AND APPROACH

OBJECTIVES

Our audit is performed with the objective of enabling us to express an opinion as to whether

- ▶ The financial report is prepared, in all material aspects, in accordance with Australian Accounting Standard, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011, and
- ▶ Controls exercised by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law based on criteria established in the Better Practice Model - Financial Internal Control for South Australia Councils issued by the Local Government Association of South Australia.

APPROACH

Our audit is performed in accordance with the BDO Audit Approach, which is documented using our global audit tool, APT. It consists of four key phases:



A RISK DRIVEN AUDIT

Our audit approach is driven by our assessment of risks of material misstatement, based on a robust understanding of your business from an internal and external point of view. Our approach is centred around:

- ▶ Obtaining an understanding of the business, its environment, and the applicable financial reporting framework
- ▶ Identifying and assessing risks of material misstatement
- ▶ Assessing the controls in place to address and prevent these risks
- ▶ Designing and executing appropriate procedures to obtain evidence, including the use of data analytics where appropriate
- ▶ Ensuring rigorous quality management over audit performance.

INTERNAL CONTROL

We obtain an understanding of the system of internal control relevant to the audit to assist us with our risk assessment procedures. Our understanding covers:

- ▶ The overall control environment
- ▶ The entity's risk assessment process
- ▶ The information system, including IT applications and related business processes, relevant to financial reporting, and communication
- ▶ Control activities relevant to the audit
- ▶ Activities the entity uses to monitor internal control relevant to financial reporting.

OUR OBJECTIVES AND APPROACH *CONTINUED*

COMMUNICATIONS

We communicate to the Audit & Risk Committee in writing any significant deficiencies that come to our attention during the audit on a timely basis.

In addition, we communicate with management the significant deficiencies being reported to those charged with governance and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention. In doing so, we will provide recommendations to improve internal controls and business systems.

FRAUD

During the course of our audit, we make enquiries of those charged with governance, management, and others to identify any known instances of fraud. We also make enquiries to understand where you consider the risks are in relation to fraud and if you have any knowledge of actual or suspected fraud. This also includes considering the risk of management override of controls.

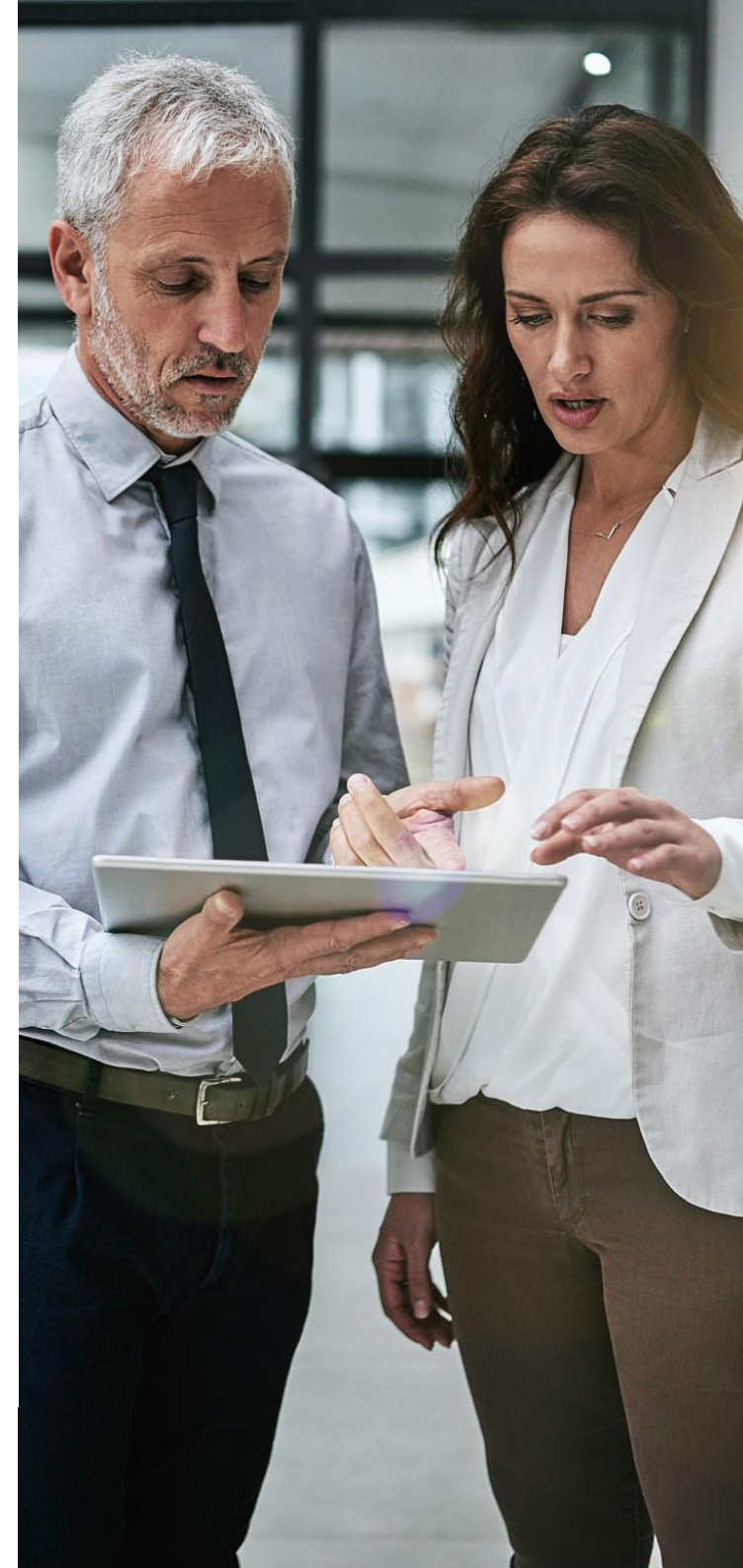
It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.

GOING CONCERN

As part of our audit, we will review management's assessment of the ability of the entity to continue as a going concern for the 12 months from the date of signing the financial report and therefore whether the going concern basis for the preparation of the financial report is appropriate.

LAWS AND REGULATIONS

We make enquiries in relation to any non-compliance with laws and regulations impacting the period under audit. If we become aware of any instances of non-compliance with laws and regulations which would materially impact on the financial position or performance of the entity, then we will report them to you on a timely basis to consider the impact on the financial report.





AUDIT QUALITY

Our System of Quality Management (SOQM) provides the foundation on which we build and maintain a culture of quality and it enables the behaviours and actions of our partners and staff to achieve quality on a consistent basis. Our SOQM sets out the key drivers of audit quality, including the specific attributes that are critical in enhancing and maintaining quality. For further information on the elements of our SOQM and how we consistently achieve quality outcomes, refer to our [Transparency Report](#).

INDEPENDENCE AND OBJECTIVITY

Our commitment to be independent, act objectively, with the necessary integrity, professional competence and due care are key defining qualities that contribute to exceptional client service. At BDO, we adhere to all relevant ethical standards and requirements both within and external to our network.

All engagement team members, including experts and specialists, are required to confirm and declare their independence from audit clients and any related entities prior to commencing work on the engagement.

Your BDO team is independent and will continue to work with objectivity in all aspects of the engagement.

EXPERIENCE AND EXPERTISE

The appropriate composition of engagement teams is fundamental to delivering a high-quality audit. We ensure partners and staff have the necessary experience, competencies, and technical skills to undertake their engagements. For complex engagements, we consider the need to appoint specialists or experts to assist with specific risk areas.

Your BDO team possesses the relevant experience and expertise necessary to perform an effective audit.

PROFESSIONAL JUDGMENT AND SCEPTICISM

Professional judgment is the systematic practice of making the best possible decision considering professional standards and the facts and circumstances of a situation. To exercise professional judgment requires professional scepticism. This means having a questioning mind, being alert to anything that may indicate misstatement and critically assessing audit evidence.

We will continue to question and challenge key assumptions and judgments made by management in preparing the 30 June 2024 financial report.

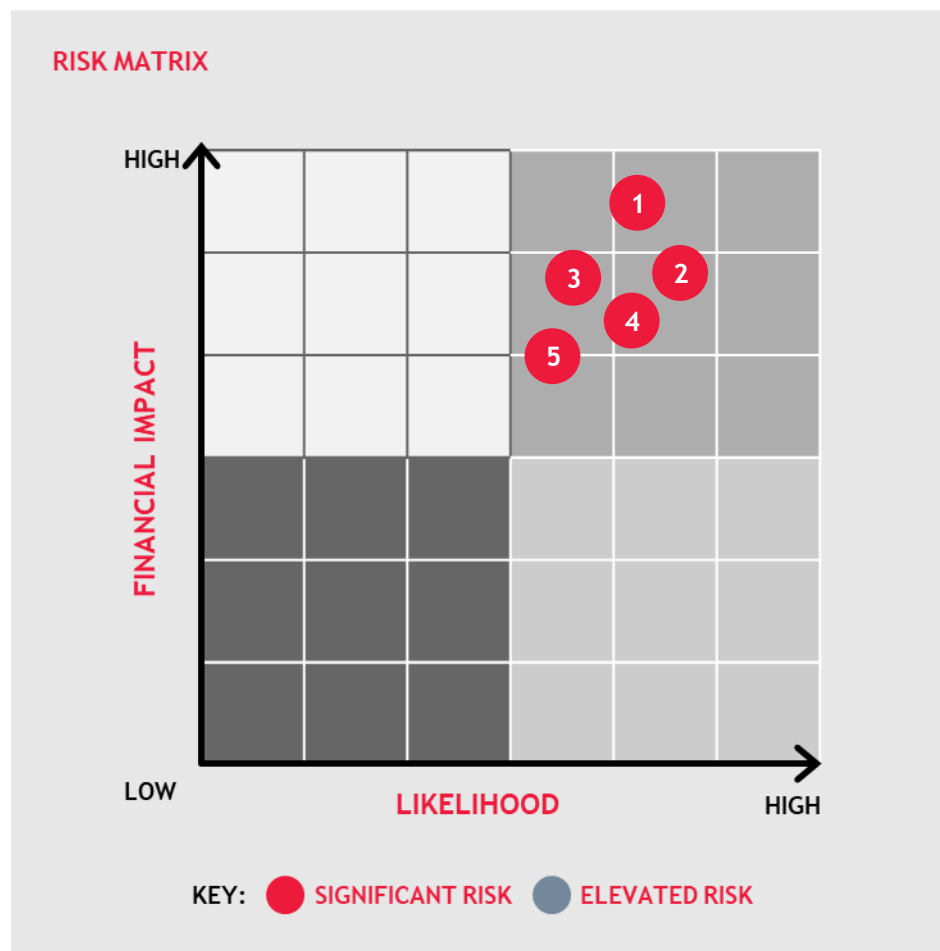
RISK ASSESSMENT AND AREAS OF FOCUS

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

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

On the subsequent page we have set out our perspective on the potential impact on the financial statements and our proposed approach to respond to the risks.

We will continue to be alert for risks during the course of the audit and update our assessment and responses as required.



RISK ASSESSMENT AND AREAS OF FOCUS *CONTINUED*

#	AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
1	Revaluation of infrastructure, property, plant and equipment	Council's infrastructure, property, plant and equipment is carried at valuation. There is a risk that these balances are misstated as a result of the application and inappropriate valuation methodologies, or incorrect underlying assumptions.	We will evaluate the competence, capability and objectivity of the independent valuers, if any, obtain an understanding of their work and evaluate its appropriateness.
2	Accounting treatment of Capital Work In Progress (WIP)	There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards.	<p>We will obtain the WIP schedule and review in detail a sample of projects outstanding at the end of the year to ensure they are likely to generate assets. We will also review a sample of assets transferred out of the Capital WIP to check that the categorisation and value allocated to the relevant fixed asset class is appropriate.</p> <p>Furthermore, we will make inquiry of Central Market Arcade development progress and assess the appropriateness of ongoing accounting treatment for relevant financial statement areas.</p>
3	Management override of internal controls	Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override control that otherwise appear to be operating effectively.	<p>Our response will include a review of key internal controls at the Council to mitigate the risk of management override.</p> <p>We will test the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We will also review accounting estimates for bias, and evaluate the business rationale (or lack of) of any significant transactions that are outside of the normal course of business or that otherwise appear to be unusual.</p>

RISK ASSESSMENT AND AREAS OF FOCUS *CONTINUED*

#	AREAS OF FOCUS	OUR PERSPECTIVE	PLANNED RESPONSE
4	Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2023	There is a risk of error in the calculation of grant income recognised and deferred at the end of the year by reference to grant agreements and Australian Accounting Standards.	We will obtain the schedule of grant income recognised and deferred at year end. We will select a sample of grants and obtain the agreements to review in detail and test that they have been recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> .
5	Assets held for sale & discontinued operations	<p>In prior year, Council reported \$26mil non-current assets held for sale relating to the former Franklin Street bus terminal. A contract for sale and purchase has been entered into with regard to this site during the year.</p> <p>Furthermore, Council and State Government entered into an agreement to develop a new Adelaide Aquatic Centre (AAC). Under this arrangement, the current AAC will cease operations from August 2024.</p> <p>These agreements are complex in nature involving various components that need accounting for separately under relevant Australian Accounting Standards.</p>	<p>We will audit the accounting treatment by reference to supporting documents including management position papers, relevant agreements, and the requirement of applicable Accounting Standards.</p> <p>We will assess if relevant disclosures made to the financial statements are in compliance with the applicable reporting framework.</p>

INTERNAL CONTROL ASSESSMENT

We are required to provide an audit opinion on Council's internal controls in accordance with Section 129(1)(b) of the *Local Government Act 1999*. Our assessment of internal controls is based on the criteria in the Better Practice Model - Financial Control for South Australian Councils as issued by the Local Government Association of South Australia.

The Better Practice Model emphasises a risk based approach to internal financial controls. It states that a Council should design and implement internal financial controls activities and monitoring systems that prioritise extreme and high financial risk as identified by the Council's risk tolerance framework.

RISK ASSESSMENT

BDO has used the risk assessment matrix per the Better Practice Model to create a general expected risk assessment. The assessment is only focused on the business impact of the risks. Each risk is assigned risk category of low, moderate, high. The results of our initial assessment is as follows:

RISK CATEGORY	RISK LEVEL		
	HIGH	MODERATE	LOW
Strategic Financial Planning	-	3	9
Assets	3	5	19
Liabilities	-	4	10
Revenue	3	6	5
Expenses	6	5	8
External Services	-	2	-
Financial Governance	-	-	3

We expect to receive Council's risk assessment of internal controls as part of the planning process. Once received we will compare and understand any differences between the two assessments. Based on the results of this comparison, we will consider the impact on our audit approach.

CONTROL ASSESSMENT

Once the risk assessment is complete, we undertake a control assessment classifying each control as key or non-key. All controls associated with high risks are considered to be key controls. Controls with moderate risks are assessed and allocated key or non-key.

CONTROL TYPE	DESCRIPTION
Key Control	The absence of these controls operating may have a significant impact on mitigating the risks. All key controls are included within our audit testing.
Non-Key Control	The absence of these controls in place may not have a significant impact on mitigating the risks as the operation of a key control in the same area may provide sufficient mitigation. The level of testing of non-key controls is dependent on the risk assessment. See the next section for more details.

INTERNAL CONTROL ASSESSMENT *CONTINUED*

CONTROL TESTING

The risk and control assessments performed by BDO will then determine our level of testing of the controls in place to address the risks.

RISK LEVEL	LEVEL OF TESTING OF CONTROLS	REASON
High	All controls to be tested, all considered to be key.	Control failure may result in a significant business impact, therefore an increased level of assurance is required in relation to the effectiveness of the controls supporting high risks.
Moderate	All identified key controls and a selection of non-key controls selected based on our professional judgement.	Control failure may result in a moderate business impact, therefore a normal level of assurance is required in relation to effectiveness of the controls supporting moderate risks.
Low	No testing of controls.	Control failure is unlikely to result in a significant business impact.

The number of controls to we plan to test for each risk category is as follows:

RISK CATEGORY	CONTROLS TO BE TESTED
Strategic Financial Planning	11
Assets	20
Liabilities	8
Revenue	16
Expenses	24
External Services	3
Financial Governance	-
Total	82

Due to the number of controls involved we have not provided a detailed list of controls in this report. We can provide the detailed list of controls separately as required. The controls selected for testing represent our assessment of those required to be tested to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law based on criteria established in the Better Practice Model - Financial Internal Control for South Australia Councils issued by the Local Government Association of South Australia.

MATERIALITY

Materiality means, in the context of an audit, if financial information is omitted, misstated or not disclosed it has the potential to (adversely) affect the decisions of users of the financial report. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the effect of misstatements. Materiality is initially calculated at the planning stage and re-assessed prior to providing our opinion.

During the course of our audit we may identify misstatements and these will be reported to you at the conclusion of our work based on our assessment of materiality at that stage (this may have been updated from the materiality calculated at the planning stage). It should be noted that the auditing standards do not require us to communicate misstatements that are considered 'clearly trivial' and as such, if we identify such misstatements we will not communicate these to you.

We determine materiality by considering a range of both qualitative and quantitative factors when applying our professional judgement.

Our engagement materiality for the 30 June 2024 audit is based on 1.8% forecasted total assets. Our estimated materiality levels are set in the table below:

ENGAGEMENT MATERIALITY	\$34,000,000
SPECIFIC MATERIALITY	\$3,800,000
CLEARLY TRIVIAL THRESHOLD	\$190,000

Specific materiality will be applied to the financial statement areas that are related to operating activities, whereas engagement materiality will be applied to financial statement areas of capital expense nature. Specific materiality is set at 1.8% of Council's total expenditure for the year.

The planning materiality has been calculated based on Council's budgeted results and financial position for the year ended 30 June 2024. These will be revisited and amended accordingly based on final trial balance provided to us for audit.





TIMELINE

AUDIT MILESTONES

We recognise that regular, timely communication with management and the Audit & Risk Committee is critical to maintaining an effective and transparent relationship. Our audit process operates throughout the year so that we can respond to issues as they arise and maintain close communication, with management and the Audit & Risk Committee, as the audit cycle progresses.

We have set out below the timing of significant milestones to include on-site visits, key meeting dates and reporting deadlines with respect to the completion of the audit.

MILESTONE	RESPONSIBILITY	DATE
Planning meeting with management	BDO & management	Completed
Audit & Risk Committee meeting and submission of Annual audit plan	BDO & management	February 2024
ITGC review planning commences	BDO & management	April/ May 2024
Interim audit visit commences, including review of controls and transactional testing	BDO & management	2 weeks commencing 29 April 2024
Issuance of interim management letter	BDO	By 3 June 2024
Final audit visit commences (ACMA and acquittal audits to commence first)	BDO & management	12 August to 6 September 2024
Financial statements ready for the audit	Management	The week commencing 19 August 2024
Close out meeting with management	BDO & management	6 September 2024
Submission of audit completion report	BDO	16 September 2024



TIMELINE CONTINUED

MILESTONE	RESPONSIBILITY	DATE
Financial statements presented to Audit & Risk Committee	BDO, management & Audit & Risk Committee	27 September 2024
Chief Executive Officer and Principal Member of Council to approve and sign off Certification of Financial Statements, Certification of Auditors Independence and management representation letter	Council	27 September 2024
Issue Independent Auditor's Report and Certificate of Auditor Independence in relation to Independence	BDO	27 September 2024

FEES

FEES

The proposed fee for all services provided for the year ending 30 June 2024 is as below. All amounts are exclusive of GST.

AUDIT SERVICES	FY24 PROPOSED	FY23 ACTUAL
Financial statement audits	\$36,600	\$38,000
Internal financial control audit	\$24,400	\$23,000
Minor Audits	\$11,000	\$10,000
Total fee	\$72,000	\$71,000

ASSUMPTIONS

Any reasonable out of pocket expense are charged to you as disbursements when incurred. Our estimate is based on our understanding of your current operations and the required scope of the audit. If these alter, the proposed fee will need to be revised.

Our proposed fees do not include any advice or assistance that may be given in respect of accounting issues. Whilst brief ad hoc information provided in the course of our audit is generally included in our proposed fee, formal advice, assistance with complex issues or meetings to discuss these issues falls outside the scope of our proposed fee. Fees for assistance provided will be negotiated prior to services being performed.

In addition, we will disburse to you a technology levy as a percentage of our fees to cover software licensing, data storage and usage costs.

ASSISTANCE REQUIRED

In order to keep our time and costs to a minimum, we appreciate your assistance with the following:

- ▶ Ensure you have documented your policies and procedures surrounding your business processes, from initiation and processing through to recording and reporting, of transactions, account balances and disclosures. Including how your IT systems and applications are being used in this process
- ▶ With your approval, providing us access to extract data from your IT systems to enable us to use our data analytic tools in the BDO Advantage suite
- ▶ Preparing position papers for all key judgements and estimates, using your experts and specialists as required
- ▶ Management providing all deliverables in line with the agreed timetable
- ▶ Assistance from your staff with supporting documentation and explanations during the audit process
- ▶ Disclosure by your staff of all information relevant to the engagement in a timely manner

We will provide you with an audit preparation package through our Global Portal.

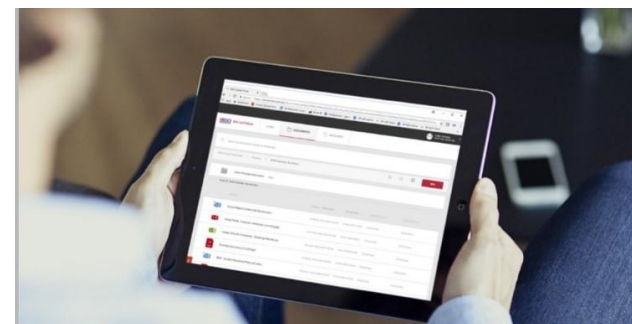
BDO'S GLOBAL PORTAL

BDO'S CLIENT PORTAL

To enhance our communication and to reduce any potential expectation gaps, we will continue to use the BDO Global Portal ('portal').

In addition to facilitating the secure exchange of information, the use of the portal assists with project management and provides a live view of progress to both BDO and City of Adelaide.

We will consult with you about how you would like us to communicate during the engagement, and the frequency of our status updates. In addition, whether it is to provide ad-hoc support, brainstorm ideas, or discuss any aspect of our services, the portal can assist. The key features of the portal are illustrated below:



ONLINE CLIENT COLLABORATION

- ▶ Upload information and documentation in one secure place
- ▶ Track actions and milestones for BDO and client responsibilities.



A FLEXIBLE, SECURE PLATFORM WITH LOCAL CUSTOMISATION

- ▶ Security - permission and access can be set at a project level for different users such as your staff or our BDO teams
- ▶ You can receive a daily or weekly digest, summarising all activity that has occurred on the portal
- ▶ View document audit trails, reducing the risk of email misdirection.



DIGITISED PAPERWORK AND WORKFLOW

- ▶ Approve and sign documents all within the portal, allowing for better transparency and speedier project progress
- ▶ Set dates with calendar reminders for when BDO requires certain documentation or information to be uploaded or completed
- ▶ Assign tasks to specific users
- ▶ Portal supports multiple document types and views.

BDO ADVANTAGE

BDO ADVANTAGE: OUR INNOVATIVE AUDIT TECHNOLOGY PLATFORM

Today's business, regardless of industry or location, becomes increasingly digital-centric. Companies accumulate a great amount of data in their systems, but data becomes valuable only if we present and analyse them in such a way that they actually bring benefits. Today, we can do this effectively with **BDO Advantage**.

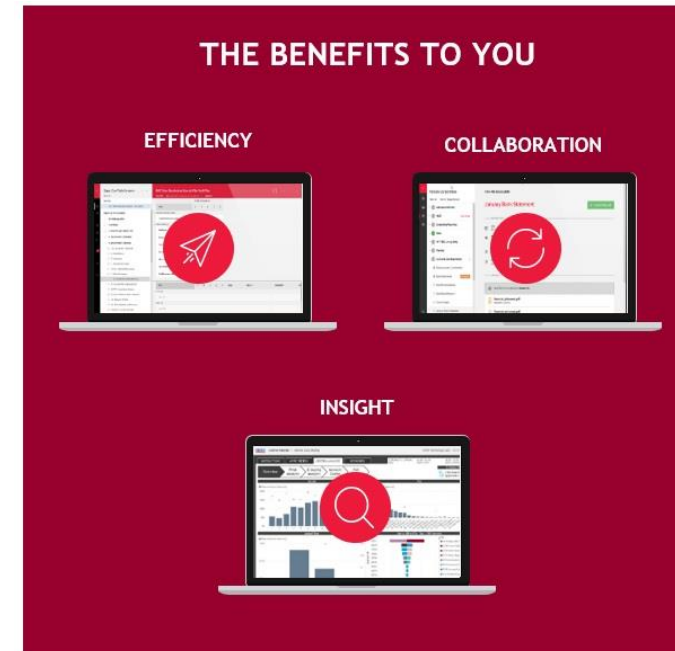
Our new suite of Data Analytics tools (BDO Advantage) enables us to enhance our audit approach through the extraction and analysis of data, to provide assurance for our audit and valuable insights for your business - allowing you to quickly address anomalies and make better decisions.

BENEFITS TO YOU

- ▶ **Audit quality** - Audit Data Analytics (ADAs) are engineered to identify risk areas requiring attention more rapidly. Conversely, areas requiring less attention are similarly identified using consistent visualisations derived from underlying data, providing a more effective audit and enhanced audit quality
- ▶ **Reduced reliance on sampling** - ADAs and the supporting methodology focuses our attention on notable items indicating higher risk of material misstatement within a population, allowing for targeted efforts to be directed to those items meriting the most attention. Entire populations do not ordinarily require significant amounts of traditional sampling. Rather, efforts are directed to tests of transactions indicative of higher risk, while simultaneously reducing efforts on those that do not indicate risk
- ▶ **More meaningful audits** - As we perform less sampling on entire populations and focus our efforts on outliers and unusual patterns within your datasets in consistent models, we will increasingly focus our energy on performing more meaningful and interesting work.

THE FUTURE

BDO is committed to innovation. As a firm, we are increasingly investing in building and implementing digital tools as part of the BDO Digital Audit Suite, to make the audits we deliver more efficient and insightful for you. As the BDO Digital Audit Suite evolves, we will apply these tools as part of your audit, where we believe they will deliver benefits to you as our client.





APPENDIX 1 OTHER COMMUNICATION

ETHICS AND INDEPENDENCE

In conducting our audit, we are required to comply with the independence requirements of the *Local Government Act 1999*, the *Local Government (Financial Management) Regulation 2011* and Part 4A of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

We obtain independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

Should any independence matters arise, we will bring them to your immediate attention.

For the comfort of those charged with governance, we note that the following processes assist in maintaining our independence:

- ▶ Restrictions on BDO employees having financial interests in audit clients
- ▶ No other work is permitted to be undertaken by any BDO division or office without the express approval of the engagement director/partner
- ▶ Services including valuation and similar services are specifically prohibited to be provided by any other BDO office to you
- ▶ All services performed by any BDO division or office have been reported below.

BDO has not provided any other services during the year to City of Adelaide.

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To enhance our communication and to reduce any potential expectation gaps with clients, BDO has adopted a structured reporting system. We will communicate with the Audit & Risk committee and management through various means. This includes but is not limited to:

- ▶ This audit plan
- ▶ Management letter after our interim visit
- ▶ The BDO Client Portal
- ▶ An audit completion report at the conclusion of the audit
- ▶ The audit report.



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VICTORIA

WESTERN AUSTRALIA



We have prepared this report solely for the use of City of Adelaide. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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