

# Interim Report on the 2024 External Audit - BDO

Friday, 14 June 2024  
Audit and Risk Committee

Strategic Alignment - Our Corporation

**Program Contact:**  
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## EXECUTIVE SUMMARY

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

BDO Chartered Accountants (BDO) completed their interim audit during the period 29 April 2024 through to 12 May 2024. As is normal practice and based on their work to date, BDO have provided an "Interim Report on the 2024 External Audit" to the Presiding Member of the Audit and Risk Committee, per **Attachment A**.

BDO's Interim Report notes they have identified no material deficiencies in internal controls which would impact audit testing or expose the Council to risk of material misstatement of results for the year ended 30 June 2024. A final report on matters arising from the audit will be provided to the Audit and Risk Committee at the September 2024 meeting.

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## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE

1. Notes the report and the Interim Report on the 2024 External Audit as per Attachment A to Item 6.1 on the Agenda for the meeting of the Audit and Risk Committee held on 14 June 2024.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	<b>Strategic Alignment – Our Corporation</b> Financial sustainability is critical to achieving our vision and Council will prudently manage its revenue, costs, debt and assets.
Policy	Not as a result of this report.
Consultation	Not as a result of this report.
Resource	Not as a result of this report.
Risk / Legal / Legislative	Section 126(4)(c) of the <i>Local Government Act 1999 (SA)</i> identifies the functions of an Audit Committee as: “Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis”.
Opportunities	Not as a result of this report.
23/24 Budget Allocation	Not as a result of this report.
Proposed 24/25 Budget Allocation	Not as a result of this report.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report.
23/24 Budget Reconsideration (if applicable)	Not as a result of this report.
Ongoing Costs (eg maintenance cost)	Not as a result of this report.
Other Funding Sources	Not as a result of this report.

## DISCUSSION

1. The external auditors for the Council are BDO Chartered Accountants (BDO). The role of the external auditor is to provide an opinion to Council with respect to the audited financial statements. In planning the audit, the auditor considers the internal controls to determine their audit procedures for the purpose of expressing an opinion on the financial statements, and the effectiveness of the financial control environment.
2. Under Section 129 of the *Local Government Act 1999 (SA)* the auditor must provide to Council a report on particular matters arising from the audit and specifically identify in the report, any irregularity in the council's accounting practices or the management of the council's financial affairs identified by the auditor during the course of the audit.
3. At the meeting of the Audit and Risk Committee on 16 February 2024, the Audit and Risk Committee endorsed the proposed 2023-24 End of Year financial reporting process and external audit timetable. The associated report highlighted that BDO had scheduled to carry out their audit in two parts with the interim audit conducted in May 2024 and the final phase of the audit concentrating on the Corporation's draft financial statements, to be carried out at the end of August 2024.
4. BDO has provided an "Interim Report on the 2024 External Audit" to the Presiding Member of the Audit and Risk Committee, per **Attachment A**.
5. At the time of the "Interim Report on the 2024 External Audit" BDO had not completed testing of all the core controls because some controls relate to annual processes and consequently will not occur until the end of the financial year, with such controls more closely aligned to testing normally conducted after year-end.
6. The controls yet to be tested yielded no exceptions in the prior year nor does current internal reporting indicate significant issues.
7. Based on the work-to-date, BDO's Interim Report notes they have identified no material deficiencies in internal controls that would lead to a qualification to the audit report on internal controls.
8. Key issues identified for consideration during the audit planning process included:
  - 8.1. Revaluation, depreciation, useful lives and residual values of Infrastructure, and Property, Plant and Equipment Assets.
  - 8.2. Accounting treatment of Capital Work in Progress.
  - 8.3. Management override of internal controls – standard compliance check.
  - 8.4. Recognition of grant funding and accuracy of any amounts deferred at 30 June 2024.
  - 8.6. Accounting for Assets Held for Sale and Discontinued Operations.
  - 8.7. Other Matters (Lease accounting and Accounting for Central Market Arcade Redevelopment)
9. It is appropriate that the Audit and Risk Committee notes the Interim Report on the 2024 External Audit.
10. In accordance with the agreed timetable endorsed by the Audit and Risk Committee at the 16 February 2024 meeting, BDO will present a final report on matters arising from the audit to the Audit and Risk Committee at the 27 September 2024 meeting.

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## ATTACHMENTS

**Attachment A** – Interim Report on the 2024 External Audit

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