City of Adelaide

Annual audit completion report

Year ended 30 June 2024

Contents

Dear Audit and Risk Committee Members

We are pleased to present this report to the Audit and Risk Committee of City of Adelaide (the ‘Council’) in relation to the 30 June 2024 annual audit.

As at the date of this report, we have substantially completed our audit and subject to the satisfactory resolution of the matters outlined in the Executive Summary, we expect to issue an unmodified audit report.

We have set out in this document the significant matters arising from our audit. This summary covers those matters we believe to be material in the context of our work.

We look forward to the Audit and Risk Committee meeting on 27 September 2024 where we will have the opportunity to discuss this report.

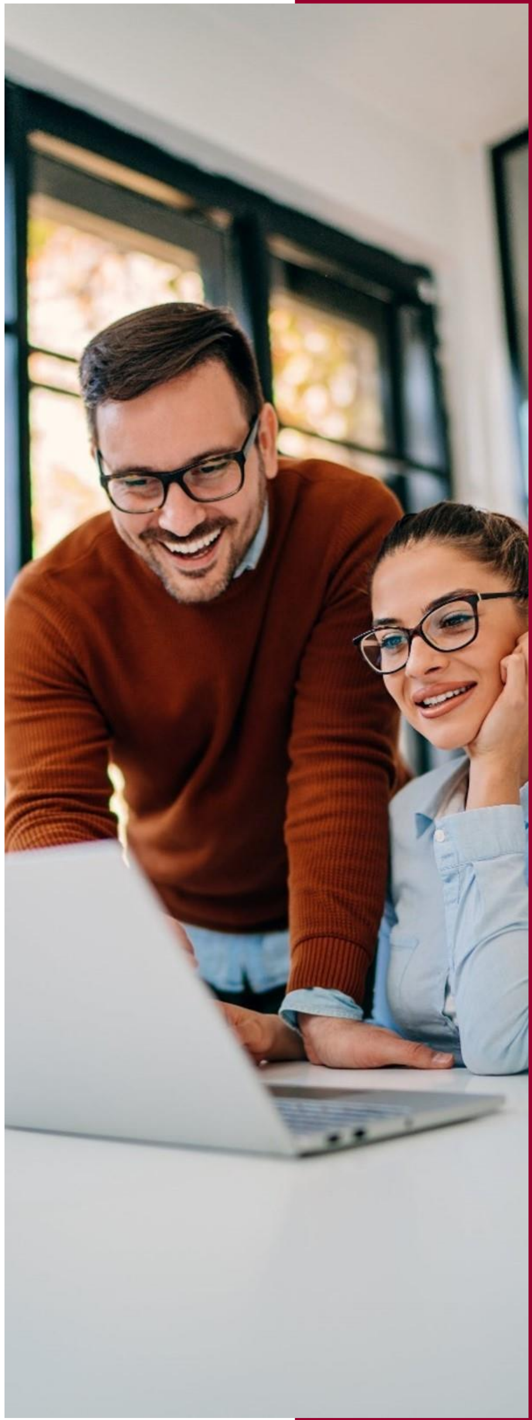
Should you require clarification on any matter in this report before this date, please do not hesitate to contact me on 8 7324 6147.

We would like to take this opportunity to extend our appreciation to management for their assistance and cooperation throughout the course of our audit.

Yours faithfully

LINH DAO
Engagement partner

Adelaide, 18 September 2024



Executive summary

Purpose

The purpose of this report is to communicate significant matters arising from our audit to the Audit and Risk Committee. This report has been discussed with management.

Scope

Our audit was conducted in accordance with Australian Auditing Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* for the year ended 30 June 2024.

Status of the audit

Our audit of the financial report is substantially complete. We expect to issue an unmodified audit report, subject to satisfactory completion of the following:

- Review of subsequent events post 30 June 2024
- Receipt of written management representation on various matters; and
- Receipt of formally adopted financial statements and agreement of these to the draft financial statements provided to us to date.

A draft of the proposed audit report is included at Appendix 3.

Summary of misstatements

We have identified one misstatement during our audit which was not corrected and is included in the respective section of this report.

We have not identified any uncorrected misstatements that, in our judgement, either individually or in aggregate, could have a material effect on the financial report for the year ended 30 June 2024.

Areas of audit focus

In performing our audit, we have identified those matters that, in the auditor's judgement, were of the most significance in the audit of the financial report. Our audit procedures also focused on areas that were considered to represent significant and elevated risks of material misstatement. These areas of focus are outlined below:

- Revaluation of infrastructure, property, plant and equipment
- Accountant treatment of Capital Work in Progress (WIP)
- Management override of internal controls
- Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2024
- Accounting for non-current assets held for sale & discontinued operations

Refer to the relevant section for details on the key audit matters, significant risk areas and other areas focused on during the audit.

Areas of audit focus

In assessing the risks of material misstatement at the planning phase, we used a spectrum of risk based on the likelihood of a misstatement occurring and the magnitude of the misstatement in the context of our materiality. Our audit procedures focused on areas that were considered to represent risks of material misstatement.

Revaluation of infrastructure, property, plant and equipment		
Description	**Audit work performed**	**Summary of findings**
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 of inappropriate valuation methodologies, or incorrect underlying assumptions.	We evaluated the competence, capability and objectivity of the independent valuers as well as staff undertaking the work, obtained an understanding of their work and evaluated its appropriateness. We inquired of management on reassessment of useful lives for a number of assets, vouched explanations to supporting documents where necessary and evaluated the treatment of any adjustments.	This year, the Council revalued a number of infrastructure assets including Bridges, Kerbs & Water Tables, Water Infrastructure, Roads, and Footpaths, which resulted in a net increment of $158.7mil which was credited to the asset revaluation reserve. Kerb & Water Tables revaluation resulted in a decrement of $6.5mil which were debited to the asset revaluation reserve. Footpaths were revalued internally using the indexation method while formal valuations were undertaken for the remaining classes of assets. It is noted that for the Underground Drainage Network within the Water Infrastructure asset class, the condition audits being undertaken by PPS and TDG were still ongoing at 30 June 2024. The valuation has been based on the work completed to the repsorting date and will be updated in 2025 on completion of these works. AASB 116.31 requires revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Given the significant IPPE balance carried by Council, we recommend management continue to monitor the need for more regular formal revaluation and formalise the indexation process in between the formal revaluation. We also recommend management continue reviewing useful lives of assets in conjunction with the revaluation effort. No exceptions were noted from our testing.

Areas of audit focus *continued*

Accounting treatment for Capital Work in Progress (WIP)		
Description	**Audit work performed**	**Summary of findings**
There is a risk that the accounting treatment of items captured within Capital WIP may not be in accordance with Australian Accounting Standards.	We obtained the WIP schedule and reviewed in detail a sample of projects outstanding at the end of the year to ensure they are likely to generate capital assets. We reviewed a sample of assets transferred out of Capital WIP to check that the categorisation and value allocated to the relevant fixed asset class is appropriate. We made inquiries on the Central Market Arcade (CMAR) development and assessed the appropriateness of the ongoing accounting treatment for relevant financial statement areas.	We noted the financial statements reported a significant balance of Capital WIP of $76.4mil as at 30 June 2024 (2023: $43.8mil). The increase in Capital WIP is mainly due to an increased number of projects being undertaken during the year, with an emphasis in improving project delivery within Council. The balance included some capital works that were recorded at 30 June 2023 but did not have any further work completed during the current year. We reviewed and concurred with management that the impact of writing off such idle projects on the Council's surplus or deficit for the year would be clearly trivial and no adjustments were required. We discussed with management the CMAR development and assessed the accounting for prepayments for construction work for CoA returnable work under this arrangement based on revised cash flow forecasts and project timelines. No exceptions were noted from our work.

Areas of audit focus *continued*

Management Override of Internal Controls		
Description	**Audit work performed**	**Summary of findings**
Australian Auditing Standards require that we presume there is a risk that management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively.	Our response included a review of key internal controls at the Council to mitigate the risk of management override. We tested the appropriateness of journal entries and other adjustments made in the preparation of the financial report. We reviewed accounting estimates for bias, and evaluated the business rational (or lack of) of any significant transactions that are outside the normal course of business or that otherwise appear to be unusual.	We did not identify any evidence of misstatement due to management override of internal controls.

Areas of audit focus *continued*

Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2024		
Description	**Audit work performed**	**Summary of findings**
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 obtained the schedule of grant income recognised and deferred at year-end. We selected a sample of grants and obtained the agreements to review in detail and test that they have been recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for Profit Entities.*	AASB 1058 requires an entity to recognise grants in profit or loss when (or to the extent that) the entity satisfies its performance obligations under the grant agreement, if; • The grant is a transfer to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity (i.e. capital grant); or • The grant creates enforceable rights and obligations, and includes sufficiently specific performance obligations Such performance obligations are satisfied either over time or at a point in time. In the prior year's audit, we noted that capital grants were not being recognised over time as the Council constructed the assets or as they provided the services, but rather at a point in time in accordance with the milestone schedules forming part of the grant agreement. Management revised the approach around grant income recognition this year to align with accounting standard requirements and no exception were noted from the audit this year. The carried forward impact of errors identified in the prior year audit has been included in the Summary of 'Uncorrected Misstatement' section of this report.

Areas of audit focus *continued*

Accounting for non-current assets held for sale and discontinued operations		
Description	**Audit work performed**	**Summary of findings**
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. 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. These agreements are complex in nature involving various components that need accounting for separately under relevant Australian Accounting Standards.	We audited the accounting treatment by reference to supporting documents including management position papers, relevant agreements, and the requirements of applicable Accounting Standards We assessed if relevant disclosures made to the financial statements were in accordance with the applicable reporting framework.	Note 19 provides details of the former asset held for sale relating to the Franklin Street bus terminal, which was disposed of during the year. There were no changes to the measurement of the asset since its reclassification to non-current assets held for sale and no exceptions were noted from our work around the derecognition of this asset. We obtained management's position paper with regard to the accounting for AAC, which indicated a rehabilitation provision of $4.95mil at 30 June 2024, representing Council's obligation to contribute towards the demolition work of the current facility as part of the contract with State Government, which was significantly lower than the impact estimated at 30 June 2023 of $13.8mil. This provision was recognised as a liability in Council's financial statements at 30 June 2024, debited directly to Asset Revaluation Reserve appropriately. As the demolition and construction work progress for AAC, we recommend management continue to monitor the contribution made by Council, reassess the associated liabilities/ assets identified under the contract with the State Government and re-evaluate the accounting impacts where applicable. No exceptions were noted from our testing.

Summary of misstatements

Uncorrected misstatements

We detail below the uncorrected misstatements which we have identified during the audit, and that were determined by management to be immaterial, both individually and in aggregate to the financial report taken as a whole.

Misstatements have not been included if they are considered to be clearly trivial which we have set at $235,000. Matters which are clearly trivial are regarded as clearly inconsequential when taken individually or in aggregate.

We will seek representation from management to acknowledge that:

- Uncorrected misstatements have been brought to their attention by us; and
- They have considered the effect of any uncorrected misstatements, aggregated during and pertaining to the latest period, on the financial report and consider the misstatements are immaterial individually and in aggregate to the financial report taken as a whole.

Description	Assets	(Liabilities)	Reserves	(Profit)/Loss
Historical adjustment to recognise grant income as Council satisfies its performance obligations under relevant agreements	$-	$-	($ 767,668)	$ 767,668
Net effect of uncorrected misstatements	$-	$-	($ 767,688)	$ 767,668

Internal control

Current year

In accordance with ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, we are required to communicate in writing, significant deficiencies in internal control identified during our audit to those charged with governance on a timely basis.

The standard defines a deficiency in internal control as:

1. A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial report on a timely basis; or
2. A control necessary to prevent, or detect and correct, misstatements in the financial report on a timely basis is missing.

Significant deficiency in internal control means a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgement, is of sufficient importance to merit the attention of the Audit and Risk Committee.

Our audit procedures did not identify any significant deficiencies that in our professional judgment are of sufficient importance to merit the attention of the Audit and Risk Committee.

The matters being reported are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to the Audit and Risk Committee.

Internal control *continued*

Current period

Other deficiencies in internal control		Potential effects	Recommendation	Management comments
1	We noted one instance from our testing where supporting document were not retained for historical rate rebate approved prior to 2020.	Rebates approved in the past may not be eligible under the current assessment criteria.	We recommend management to review historical rate rebate approval, in particular discretionary rebates, making sure this is supported and supporting for the decision is retained on file for the relevant property.	The Record Keeping Operating Guidelines at the time the rebate was approved identified a retention period of 6 years, and as such the record was deleted from our central records system. The current guideline approved in 2020 now identifies all rates and valuations files as essential documents and are retained permanently. Management have committed to undertaking a review of all rebates in 2024/25 to ensure they meet the criteria set out in the *Local Government Act (1999) (SA)* and / or City of Adelaide's Rating Policy.

Internal control *continued*

Other deficiencies in internal control		Potential effects	Recommendation	Management comments
2	Council reported a provision for expected credit losses of $1.19mil at 30 June 2024 (2023: $274k), $268k of which were carried over from 2023 with no recovery made during the year.	The increasing balance of expected credit losses might be indicative of control deficiencies in the debt collection process and might result in misstatement in the financial statements.	We recommend management to implement an action plan with reviewing long overdue outstanding debts, assess their recoverability and proceed with write-offs where appropriate.	1) A system transition in FY23 complicated the debt collection process, making it difficult to pursue outstanding debts. 2) Executive management directed that debts must be pursued before considering write-offs. Due to the system limitations, not all outstanding debt has been pursued to satisfy a write-off. 3) Management has reported these issues to the executive management and is currently developing an action plan to pursue outstanding debts, assess their recoverability, and proceed with write-offs as appropriate.

Other reporting requirements

Independence and ethics

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

We have obtained 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.

We have not become aware of any issue that would cause any member of the engagement team, BDO or any BDO network firm to contravene any ethical requirement or any regulatory requirement that applies to the audit engagement.

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

The *Local Government Act 1999* requires the lead auditor to make a declaration to the directors regarding independence. We are in a position to make this declaration, a copy of which has been included at Appendix 4.

Non-compliance with laws and regulations

We have made enquiries in relation to any non-compliance with laws and regulations during the course of our audit. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries.

We have not identified any reportable matters during the course of our audit.

Fraud

Management have confirmed that there were no matters of fraud identified for the period under audit, or subsequently. 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.

We have not identified any instances of fraud during the course of our audit.

Appendices

Appendix 1 New developments

Upcoming changes in financial reporting

Amendments to AASB 101 for classifying liabilities as current or non-current

Effective for annual reporting periods beginning on or after 1 January 2024, there are three main changes to the classification requirements within AASB 101 *Presentation of Financial Statements*:

- The right to defer settlement must exist at the end of the reporting period. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants), the right to defer only exists at reporting date if the entity complies with those conditions at reporting date (paragraph 72B).
- Classification is based on the right to defer settlement, and not intention (paragraph 73).
- If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under AASB 132 *Financial Instruments: Presentation* (paragraph 76B).

Classifying loans can be complicated where there has been a breach of a loan covenant, and can depend on whether and when the lender has provided a waiver or a period of grace. Our publication includes a flowchart and detailed examples to assist in this analysis.

Where a liability could be settled by an entity transferring its own equity instruments, such as for a convertible bond or note, this publication provides examples to assist with appropriate classification.

As these amendments apply for the first time to the 30 June 2025 balance sheet (and 30 June 2024 comparative balance sheet and 1 July 2023 opening balance sheet), at 30 June 2024, companies are in a position to assess the impacts regarding these changes. Entities must quantify the effect of any reclassification on current and non-current liabilities as part of disclosures about the effect of new standards issued that are not effective as at 30 June 2024.

IFRS 18 *Presentation and Disclosure in Financial Statements*

On 9 April 2024, the International Accounting Standards Board issued IFRS 18 *Presentation and Disclosure in Financial Statements*, a new financial statements presentation standard to replace IAS 1 *Presentation of Financial Statements*. You can read more about this in our recent publication.

The changes require income and expenses to be classified into five categories - investing, financing, income taxes, discontinued operations and operating (which is the residual category). Classification follows an entity's 'main business activities' so may differ from one entity to another. The Statement of Profit or Loss also includes two mandatory subtotals:

- Operating profit or loss - this is a sub-total of all income and all expenses classified as operating
- Profit or loss before financing and income taxes - this is the sub-total of operating profit or loss, and all income and expenses classified as investing.

There are also changes to the Statement of Cash Flows, including how interest and dividend cash inflows and interest cash outflows are classified.

Lastly, the financial statements must include new disclosures in single note about 'management-defined performance measures' such as earnings before interest, taxes, depreciation and amortisation (EBITDA), 'adjusted profit', operating profit excluding recurring items, etc.

The new disclosures apply to 'management-defined performance measures' if they are used in public communications outside the financial statements, to communicate to users of financial statements, management's view of an aspect of the entity's financial performance.

Appendix 1 New developments *continued*

They do not apply to certain specific sub-totals in the Statement of Profit or Loss such as gross profit. They also do not apply to social media posts and oral communications, and to non-IFRS information based on financial measures that are not performance-related (such as measures based only on the financial position of the entity). Also, they do not apply if an entity makes no public communications (as may be the case for private companies).

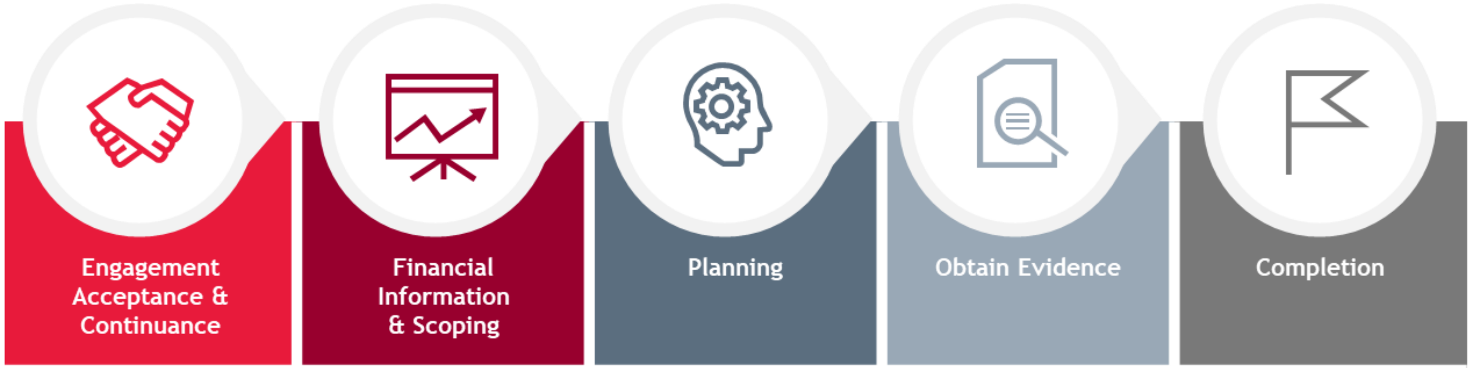
The changes are effective for annual periods beginning on or after 1 January 2027.

If you have any questions or require more information regarding upcoming changes in financial reporting , please contact our IFRS & Corporate Reporting team.

New developments *continued*

GROUP ENGAGEMENTS - A REVISED APPROACH

ASA 600 (Revised), *Audit of Group Financial Statements,* has been significantly revised to align with the changes to the Quality Management standards and ASA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement*. Adopting a risk-based approach to group engagements, the new and revised requirements strengthen our responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation. The standard will be effective for periods beginning on or 15 December 2023 (31 December 2024 year ends onwards). The key stages of a group engagement under the revised standard are shown below.



Engagement Acceptance & Continuance

We are required to identify applicable Relevant Ethical Requirements (RER), identify components and confirm competence and capabilities, and determine a preliminary group audit strategy which is specific to Group audit engagements.

Financial Information & Scoping

We obtain preliminary financial information for all identified components within the group and issue group audit instructions to component auditors based on the extent of work identified.

We hold planning meeting with component auditors to direct and supervise the risk assessment process.

Planning

Further requirements to understand key components of the Group and its structure are necessary to inform component risks of material misstatement relevant to the Group.

All provision of information and other communications, both with component auditors, and with our clients, will be via the BDO Global Portal.

Obtain Evidence

The group engagement partner leads execution with all engagement team members, including component auditors.

Audit procedures are designed to specifically address the Group risks identified in planning and throughout the engagement.

Completion

We determine whether any identified deficiencies in the group's system of internal control are required to be communicated and report key results of the audit to group management/ TCWG.

Appendix 2 Sustainability assurance

Climate related financial disclosures

Legislation to mandate Climate Reporting in Australia was passed by the Senate on 22 August 2024, with Royal Assent expected soon. The start date will be for years commencing 1 January 2025, with a phase-in period for entities of different sizes and types. Entities required to prepare and lodge financial reports with the Australian Securities and Investments Commission (ASIC) under Chapter 2M of the Corporations Act 2001 will have to prepare sustainability reports, but only if they meet certain criteria. In particular, entities that do not meet the size threshold tests in section 292A and are neither NGER reporters or asset owners, will not have to prepare climate reports.

Where will it be disclosed?

Climate-related disclosures would be required within a sustainability report forming part of the annual report. The sustainability report will be required by the *Corporations Act 2001* and consist of:

- The climate statements
- Notes to the climate statement
- Any statements prescribed by legislation
- The director's declaration.

ASIC says: Start preparing for climate reporting now

Climate reporting represents the biggest changes to financial reporting and disclosures standards in a generation.

Key actions to take now

Risk Disclosure: Balance mandatory and voluntary disclosures, considering stakeholder needs, as this can be seen as a strategic work program vs a compliance activity.

Internal Capability: Train employees or build capability to allocate resources effectively. Given that this is a new area, capability and capacity can be inhibitors.

Data Quality and Technology Constraints: Given that some of this information will be being captured and generated for the first time, govern data and assess technology readiness.

Process Maturity and Change Management: Align processes, manage change effectively, and ensure people across the end-to-end process understand the 'why'.

Appendix 2 Sustainability assurance *continued*

When will climate-related reporting be mandated?

The following table outlines the criteria and size thresholds for climate reporting, as well as the first mandatory reporting period end, assuming the entity has a 30 June reporting date. The start date for the final legislation is 1 January 2025.

Large entities and their controlled entities meet at least two of three criteria				National Greenhouse Energy Reporting (NGER) reporters	Asset owners	First mandatory reporting period
	Consolidated revenue	EOFY consolidated gross assets	EOFY year employees			
Group 1	$500 million or more	$1 billion or more	500 or more	Above NGER publication threshold	N/A	30 June 2026
Group 2	$200 million or more	$500 million or more	250 or more	All other NGER reporters	$5 billion assets under management or more	30 June 2027
Group 3	$50 million or more	$25 million or more	100 or more	N/A	N/A	30 June 2028

1: Asset owners can only be registered schemes, registrable superannuation entities or retail CCIVs

Your sustainability roadmap

We've created a practical roadmap to guide your implementation of mandatory climate-related disclosures as well as your sustainability journey. It outlines the essential activities and their deadlines. This roadmap has been drafted for an entity with a 30 June year-end.

Though Council is not required to report under Corporations Act, we have included the suggested best practice roadmap if Council were a Group 2 entity for the mandatory climate reporting purpose in the following page.

Appendix 2 Sustainability assurance *continued*

Group 2 entities: Best practice roadmap

Project streams			30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
1	**COMPLIANCE FOCUS: Carbon footprint measurement**	**Scope 1 and 2 greenhouse gas (GHG) emissions**		• Set carbon inventory boundary • Develop a Basis of Preparation (carbon accounting methodology) • Measure and report internally Scope 1 & Scope 2 GHG emissions	• Improve measurement and report internally Scope 1 & Scope 2 GHG emissions • Set targets in relation to Scope 1 & 2 GHG emissions • Conduct an assurance readiness assessment	Mandatory calculation and external reporting of Scope 1 and 2 GHG emissions	
		Scope 3 GHG emissions		Initial measurement (significant estimation) and report internally Scope 3 GHG emissions	Improve measurement (significant estimation) and report internally Scope 3 GHG emissions	• Improve measurement (less estimation) and report internally Scope 3 GHG emissions • Set targets in relation to Scope 3 GHG emissions • Conduct an assurance readiness assessment	Mandatory calculation and external reporting of Scope 3 GHG emissions
2	**COMPLIANCE FOCUS: Climate related disclosure**	**TCFD**	Include **some** TCFD disclosures in the annual report with a focus on the following pillars: • Governance; and • Strategy	Include **all** TCFD disclosures in the annual report, including the following pillars: • Governance • Strategy • Risk Management • Metrics and Targets		TCFD disclosures replaced by IFRS S2	
		IFRS S2 and Australian equivalent		Conduct an IFRS S2 (and Australian equivalent) gap analysis	• Conduct a material climate risk assessment • Prepare a scenario analysis • Financial modelling of impact on financial statements • Prepare draft IFRS S2 (and Australian equivalent) disclosures for internal use	Mandatory reporting of all IFRS S2 (and Australian equivalent)	
3	**STRATEGIC FOCUS: Sustainability related strategy disclosure**	**IFRS 51**		Activate sustainability strategy • Step 1: ASSESS - Current state assessment • Step 2: PRIORITISE - Materiality assessment (stakeholder engagement) • Step 3: COMMIT - Identify gaps	• Step 4: MEASURE - Commit and measure to address gap identified • Step 5: REPORT - Prepare separate voluntary sustainability report • Conduct an IFRS S1 gap analysis	Continuous improvement of reporting to stakeholders (e.g. separate voluntary reporting)	

Appendix 3 Proposed audit report

INDEPENDENT AUDITOR'S REPORT

TO THE PRINCIPAL MEMBER OF CITY OF ADELAIDE

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of City of Adelaide (the Company) and its subsidiaries (the Council), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of material accounting policy information and the declaration by those charged with governance.

In our opinion the accompanying financial report of presents fairly, in all material respects, the financial position of the Council as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Council in accordance with the Local Government Act 1999 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for* Professional *Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report are the general purpose financial reports of City of Adelaide's regional subsidiaries including Adelaide Park Lands Authority, Adelaide Central Market Authority, Adelaide Economic Development Agency and the Annual Report of The Brown Hill Keswick Creeks Stormwater Board.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Proposed audit report *continued*

Responsibilities of the directors for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Council's ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

Linh Dao
Director

Adelaide, XX September 2024

INDEPENDENT ASSURANCE REPORT
OF THE INTERNAL CONTROLS OF CITY OF ADELAIDE

Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of Adelaide ('Council) in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2023 to 30 June 2024 relevant to ensuring such transactions have been conducted properly and in accordance with the law.

In our opinion, in all material respects:

(a) The controls established by the Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted property and in accordance with law; and

(b) The controls operated effectively as designed throughout the period from 1 July 2023 to 30 June 2024.

Basis for opinion

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Council's responsibilities for the Internal Controls

The Council is responsible for:

a) The receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;

b) Identifying the control objectives

c) Identifying the risks that threaten achievement of the control objectives

d) Designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and

e) Operating effectively the controls as designed throughout the period.

Our independence and quality management

We have complied with the independence and relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* in undertaking this assurance engagement.

Assurance practitioner's responsibilities

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3100 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, with the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

Appendix 3 Proposed audit report *continued*

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

Limitations of controls

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with compliance requirements may occur and not be detected.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Appendix 4 Auditor independence declaration

CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the City of Adelaide for the year ended 30 June 2024, I have maintained my independence in accordance with the requirements of the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code), Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made und the Act.

This statement is prepared in accordance with the regulations of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

Linh Dao
Director

BDO Audit Pty Ltd

Adelaide, 18 September 2024

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