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Mr David Powell  
Presiding Member, Audit & Risk Committee  
City of Adelaide  
GPO Box 2252  
ADELAIDE SA 5000

17 January 2023

Dear Mr Powell

#### TERMS OF ENGAGEMENT - AUDIT

The purpose of this letter is to set out the basis on which BDO Audit Pty Ltd (BDO) acts as auditors of City of Adelaide (the Council) and the respective areas of responsibility of the Council's officers and of BDO.

#### Audit of the financial report

The objective and scope of the audit

You have requested that we audit the financial report of City of Adelaide which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the certification of the financial statements of the consolidated entity comprising the Council and the entities it controlled at the year's end or from time to time during the financial year.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit 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 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.

The responsibilities of the auditor

We will conduct our audit in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

The responsibilities of management and identification of the applicable financial reporting framework

Our audit will be conducted on the basis that the Council's officers acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the financial report in accordance with the *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011* made under that Act and Australian Accounting Standards
- b) For such internal control as the Council's officers determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error and
- c) To provide us with:
  - i. Access to all information of which the Council's officer and management are aware that is relevant to the preparation of the financial report whether obtained from within or outside of the general and subsidiary ledgers, such as records, documentation and other matters including access to information relevant to disclosures;
  - ii. Additional information that we may request from the Council's officers and management for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
- d) To inform us of any documents that you expect to issue that may comprise other information;
  - i. If the other information is provided prior to the auditor's report date; the financial report and any other information obtained prior to the date of the auditor's report will be consistent with one another, and the other information will not contain any material misstatements;
  - ii. If the other information is not provided prior to the auditor's report date; to provide and/or issue such other information that will enable us to complete our required procedures.



As part of our audit process, we will request from management and where appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

### Other requirements

Council's officers will inform us of any material event occurring between the date of our report and the date of issue of the financial report, which may affect the financial report.

### Expected form and content of the auditor's report

We have included an example audit report in Appendix 1 to this letter, which reflects the form and content of the auditor's report, in the circumstance where the auditor has concluded that an unmodified opinion is appropriate based on the audit evidence obtained, including the reporting on other information. The form and content of our report may vary from the example in light of our audit findings.

### Fees

Our audit fees are detailed in the annual audit plan and consistent with the audit tender responses.

Our fees are based on our understanding of your current operations and the required scope of the engagement. If these alter, the proposed fee will need to be revised.

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

The fees assume that all engagement schedules and reports will be available upon commencement of the engagement and that the financial report will be prepared by your staff. If schedules and reports are not provided within the agreed timetable, additional costs may be incurred and charged to you.

Should these assumptions not remain valid, we will inform you prior to the occurrence of additional costs.

### Other matters under the Local Government Act 1999

#### Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Local Government Act 1999* in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the *Local Government Act 1999*, we shall notify you on a timely basis. As part of our audit process, we shall also provide you with a written independence declaration as required by the *Local Government Act 1999*.

#### Enquiries from oversight bodies

Council's officers shall notify BDO of any enquiries, such as financial reporting surveillance enquiries, from any oversight body that relate to the audit engagement as soon as practicable.



## Presentation of the audited financial report on the internet

If you intend to electronically present the audited financial report and auditor's report on your web site or any other digital media, the security and controls over information on the relevant web site shall be addressed by the entity to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the entity's web site is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the entity's web site is that of the governing body of the entity.

## Terms of trade

The terms of this engagement are per the services agreement for provision of external audit services contract number T2020 0038.

Yours faithfully

BDO Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'Linh Dao', written in a cursive style.

Linh Dao  
Director

## Appendix 1

### EXAMPLE 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 and its subsidiaries (the Council), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the certification of the financial statements.

In our opinion the accompanying financial report of City of Adelaide presents fairly, in all material respects, the Council's financial position as at 30 June 2023, and its financial performance and its cash flows for the year ended on that date 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 Council 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

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the X report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

#### Responsibilities of the Council's Officers for the Financial Report

The Council's officers are responsible for the preparation and fair presentation of the financial that gives a true and fair view 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 the Council's officers determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

#### 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](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 Month 20XX