

Interim Report on the 2025 External Audit

Friday, 13 June 2025

Audit and Risk Committee

Strategic Alignment - Our Corporation

Public

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EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the 2025 External Audit.

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) (the Auditor) completed their interim audit during the period 28 April 2025 through to 16 May 2025. Based on their work to date, BDO have provided an "Interim Report on the 2025 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 2025. A final report on matters arising from the audit will be provided to the Audit and Risk Committee at the September 2025 meeting.

The Terms of Reference of the Audit and Risk Committee includes responsibility for reviewing findings and reports from External Auditors.

RECOMMENDATION

THAT THE AUDIT AND RISK COMMITTEE

1. Notes the Interim Report on the 2025 External Audit as contained in Attachment A on Item 6.2 on the Agenda for the meeting of the Audit and Risk Committee held on 13 June 2025.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2024-2028 Strategic Plan	Strategic Alignment – Our Corporation Outcome - Financial sustainability; 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	Under Section 129 of the <i>Local Government Act 1999</i> (SA) and Section 126(4)(c) of the <i>Local Government Act 1999</i> (SA) 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.
24/25 Budget Allocation	Not as a result of this report.
Proposed 25/26 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.
24/25 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 City of Adelaide are BDO Australia (BDO). The role of the external auditor is to provide an opinion to Council with respect to 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 Act) 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 21 February 2025, the Audit and Risk Committee endorsed the proposed 2024-25 End of Year financial reporting process and external audit timetable ([Link 1](#)). The associated report highlighted that BDO had scheduled to carry out their audit in two parts with the interim audit conducted in May 2025 and the final phase of the audit concentrating on the Corporation's draft financial statements, to be carried out at the end of August 2025.
4. The audit plan identified a preliminary risk assessment against the Better Practice Model.
5. BDO have completed their interim visit which was focussed on the internal control environment, and are now in a position to formalise their initial risk assessment through an "Interim Report on the 2025 External Audit" (Interim Report) per **Attachment A**.
6. BDO has 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.
7. The controls yet to be tested yielded no exceptions in the prior year nor does current internal reporting indicate significant issues.
8. 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.
9. Key areas of focus identified during the audit planning process included:
 - 9.1. Revaluation of infrastructure assets
 - 9.2. Accounting treatment of Capital Works in Progress (WIP)
 - 9.3. Management override of internal controls – standard compliance check
 - 9.4. Recognition of grant funding and accuracy of any amounts deferred at 30 June 2025
 - 9.5. Other Matters (Lease accounting, impairment and major capital project development).
10. It is appropriate that the Audit and Risk Committee notes the Interim Report on the 2025 External Audit.
11. In accordance with the agreed timetable endorsed by the Audit and Risk Committee at the 21 February 2025 meeting, BDO will present a final report on matters arising from the audit to the Audit and Risk Committee at the 24 September 2025 meeting.

DATA AND SUPPORTING INFORMATION

[Link 1](#) - 2024-25 End of Year financial reporting process and external audit timetable

ATTACHMENTS

Attachment A – Interim Report on the 2025 External Audit

- END OF REPORT -