

City of Adelaide

Annual audit completion report

Year ended 30 June 2025



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Dear Audit and Risk Committee Members

We are pleased to present this report to the Audit and Risk Committee Members of City of Adelaide (the 'Council') in relation to the 30 June 2025 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 Members meeting on 24 September 2025 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.

In this, our final year as auditor of the Council, we would like to take this opportunity to extend our appreciation to management for their assistance and cooperation throughout the period of our appointment.

Yours faithfully



Linh Dao

Engagement Partner

Adelaide, 16 September 2025

Executive summary

Purpose

The purpose of this report is to communicate significant matters arising from our audit to the Audit and Risk Committee Members. 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 2025.

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 2025
- 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 1.

Summary of misstatements

We have identified misstatements during our audit which were corrected and are 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 2025.

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:

- Management override of internal controls
- Revaluation of infrastructure, property, plant and equipment
- Accounting treatment of Capital Work in Progress (WIP)
- Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2025

Refer to the relevant section for details on the 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.

We set out the areas that were considered key areas of focus along with an outline of the work performed and a summary of findings.

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*

Revaluation of infrastructure and land & buildings		
Description	Audit work performed	Summary of findings
Council's infrastructure and land & buildings are carried under revaluation model. 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 and staff involved in the revaluation process, obtained an understanding of the work performed and assessed its appropriateness. We inquired of management regarding the reassessment of useful lives for selected assets, corroborated explanations with supporting documentation where required, and evaluated the accounting treatment of any resulting adjustments. In addition, we reviewed management's impairment assessments for certain assets, considered the underlying assumptions, and assessed the appropriateness of adjustments recognised.	During the year, Council revalued infrastructure assets including lighting, electrical, and traffic signals, and applied indexation to transportation (roads, footpaths, bridges, kerb and water table) and water infrastructure assets. The revaluation process resulted in a net increment of \$124 million credited directly to the asset revaluation reserve, of which \$87.3 million related to lighting and traffic signals. The condition audits of the underground drainage network within the Water Infrastructure asset class were not fully completed by PPS and TDG in the prior year. Accordingly, the valuation at 30 June 2024 was based only on work finalised up to that date. During the current year, this work was finalised and a number of stormwater and drainage assets whose condition value were previously not reasonably quantified and measured, were identified and recognised as at 1 July 2024. These assets were subsequently depreciated and then indexed in line with the other water infrastructure assets. Other adjustments recognised through asset revaluation reserve included: - Decrement for one building asset due to the revised useful live assessment during the year; - Decrement for parkland assets where impairment indicators were identified at 30 June 2025, and impairment assessment resulted in impairment expense recognised for the difference between carrying amount and assets' estimated recoverable amount. In accordance with AASB 116.31, revaluations must be performed with sufficient regularity to ensure that carrying amounts reflect fair value. We recommend that management continue to monitor the need for more frequent formal revaluations and formalise the indexation process between valuation cycles. We also recommend management review useful lives in conjunction with revaluation activities. No exceptions were noted from our testing.

Areas of audit focus *continued*

Accounting treatment of Capital Work In Progress (WIP)		
Description	Audit work performed	Summary of findings
There is a risk that the accounting treatment of Capital WIP may not be in accordance with Australian Accounting Standards.	We obtained the WIP schedule and reviewed a sample of projects outstanding at year-end to assess whether they are likely to result in the recognition of assets. We also tested a sample of projects transferred out of capital WIP to evaluate whether the classification and values allocated to the relevant fixed asset classes were appropriate. In addition, we inquired management on the progress of the Central Market Arcade (CMAR) development and the Adelaide Aquatic Centre (ACC) demolition, and assessed the appropriateness of the ongoing accounting treatment of these projects in the financial statements.	We noted the financial statements reported a significant balance of Capital WIP of \$89.1mil as at 30 June 2025 (2024: \$76.4mil). The increase in Capital WIP is mainly due to the significant work undertaken on CMAR . As part of the audit work, it was noted that 52 projects totalling \$47.4mil were manually capitalised as part of the year-end reconciliation process. 48 projects of \$25.5mil value were completed in June, and 4 other projects of \$21.9mil were completed between January and April 2025, but were not capitalised within Assetic, Council’s fixed asset management application. We were advised that the delay in capitalisation of projects were due to the asset team not having sufficient As-Constructed Drawings information to update its Geographical Information Systems (GIS) in the system. The manual capitalisation process also resulted in the need for replaced/ renewed assets to be manually disposed of. This process has been lengthy, complicated and resulted in significant additional effort required by both Council’s finance team as well as the audit team to complete the audit within reporting timeframe. We recommend that management continue to strengthen the handover process with contractors where relevant, to ensure sufficient appropriate data is available to Council so that timely capitalisation can happen. Furthermore, we discussed the CMAR development with management and assessed the accounting treatment for prepayments made in respect of returnable works. As completion is expected in 2026 financial year and Council will obtain building access rights before 30 June 2026, the balance has been classified as a current asset.

Areas of audit focus *continued*

Accounting treatment of Capital Work In Progress (WIP)		
		In respect of the Adelaide Aquatic Centre demolition and construction of the Return to Park Lands Playing Field, we noted that rehabilitation provisions recognised in the prior year were fully consumed, with demolition and remediation works completed within budget before year-end. The capital WIP balance for the Return to Park Lands project was \$3.7 million as at 30 June 2025. The remaining contracted balance of \$5.7 million is expected to be invoiced in FY2026. Finally, we noted that Council elected to disclose ‘Adjusted Asset Renewal Funding Ratio’ in addition to the mandatory Asset Renewal Funding Ratio required under the LGA Financial Sustainability Program. The reason for this, is that management has assessed that it will better reflect Council’s effort in delivering capital renewal program by: a. Reporting the actual capital spend (i.e. on an accrual basis) rather than cash spend to eliminate fluctuation due to billing impact by contractors that are outside of Council’s control; and b. Removing the ‘contingency’ built into the Infrastructure & Asset Management Plan required expenditure, as although this was budgetted for in the Asset Management Plan adopted for FY2025, it was not actually required. No other exceptions were noted from our work.

Areas of audit focus *continued*

Cut-off of grant funding and accuracy of any amounts deferred at 30 June 2025		
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.	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 <i>AASB 15 Revenue from Contracts with Customers</i> and <i>AASB 1058 Income of Not-for Profit Entities</i> .	We noted 3 projects from our testing sample with expiry dates prior to or on 30 June 2025 however due to delay in delivery, the projects were still ongoing at the reporting date. Though we were satisfied that Council has recognised revenue in accordance with the requirements of AASB 1058 and AASB 15, and that evidence is available to support Council has sought approval from relevant grantors for extension of said projects, there remains a risk of non-compliance under the grant agreements. We recommend management consider putting in place strategies to ensure the grant application process includes Council’s assessment of its ability to manage delivery within the contract timeframe. No other exceptions were noted.

Summary of misstatements

Corrected misstatements

We identified the following misstatements during the course of our audit which have been corrected:

DESCRIPTION	ASSETS	(LIABILITIES)	RESERVES	(PROFIT)/LOSS
Correction of Long Service Leave calculation for 2025	-	(\$399,725)	-	\$399,725
Correction for City Liability early termination lease accounting impact for the year	\$708,274	-	-	(\$708,274)
Net effect of corrected misstatements	\$708,274	(\$399,725)	-	(\$308,549)

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 Members.

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 Members.

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.

Follow up on prior period findings

We have detailed below the current status of matters relating to internal control that have been raised in prior communications and are not referred to in the current period findings.

DESCRIPTION OF MATTER		DATE PREVIOUSLY COMMUNICATED	CURRENT STATUS	MANAGEMENT COMMENTS
1	We noted one instance from our testing where supporting document were not retained for historical rate rebate approved prior to 2020.	FY2024	Ongoing	A Rating Review project commenced in FY25, whereby the framework and matrix for rate rebate and exemptions were reviewed by an independent consultant against both the Local Government Act 1999 (SA) and practices of other councils. Relevant outcomes were included in the revised Rating and Rate Rebate Policies endorsed by Council for FY26. The project will continue in FY26, whereby funding is being sought to engage and external consultant to review our existing rebates and exemptions against the framework.

Internal control *continued*

DESCRIPTION OF MATTER		DATE PREVIOUSLY COMMUNICATED	CURRENT STATUS	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.	FY2024	Ongoing	An action plan was developed and commenced in FY25, however due to staff turnover, limited progress occurred. Discussions are continuing as to the best system to manage debtor balances, noting the limitations of the current systems. The Associate Director, Finance & Procurement met with each business area regarding their outstanding balances as at 30 June 2025, with a revised action plan being developed.

Other reporting requirements

Independence and ethics

In conducting our audit, we are required to comply with the independence requirements of *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 2.

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.

Appendix 1 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 2025, 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 2025, 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.

Appendix 1 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 Month 2025

Appendix 1 Proposed audit report *continued*

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 2024 to 30 June 2025 relevant to ensuring such transaction 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 properly and in accordance with law; and
- (b) The controls operated effectively as designed throughout the period from 1 July 2024 to 30 June 2025.

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 1 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.

BDO Audit Pty Ltd

Linh Dao
Director

Adelaide, XX Month 2025

Appendix 2 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 2025, 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 under 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, 16 September 2025

Appendix 3 New developments

Upcoming changes in financial reporting

AASB 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* (AASB 18 in Australia), a new financial statements presentation standard to replace IAS 1 *Presentation of Financial Statements*. Our [bulletin](#) contains a high-level summary of the amendments.

The changes require income and expenses to be classified into five categories - investing, financing, income taxes, discontinued operations and operating ('operating' being the residual or 'catch all' category). Classification follows an entity's 'main business activities' so AASB 18 is likely to result in different presentations across entities. 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.

Our [publication](#) provides in-depth guidance for classifying income and expenses in the Statement of Profit or Loss.

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.

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](#).

Appendix 4 Sustainability reporting

What is required?

Legislation to mandate sustainability reporting in Australia was passed by the Senate on 22 August 2024 and received Royal Assent on 17 September 2024. The start date is 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* may have to prepare sustainability reports if they meet certain criteria. In particular, entities that do not meet the size threshold tests in section 292A and are neither NGER reporters nor asset owners, are not currently required to prepare sustainability reports.

The legislation requires a ‘sustainability report’, but climate-related disclosures are the first, and currently the only component of mandatory sustainability reporting.

ASIC’s Regulatory Guide 280 ([RG 280](#)) was issued on 31 March 2025 and provides entities with practical guidance about complying with their sustainability reporting obligations and about ASIC’s approach to administration, supervision and enforcement moving forwards.

Where will climate-related financial disclosures be disclosed?

Climate-related disclosures are required within a sustainability report forming part of the annual report. The sustainability report required by the *Corporations Act 2001* consists of:

- The climate statements
- Notes to the climate statements
- 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

Reporting Obligations: Assess whether mandatory sustainability reporting applies.

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.

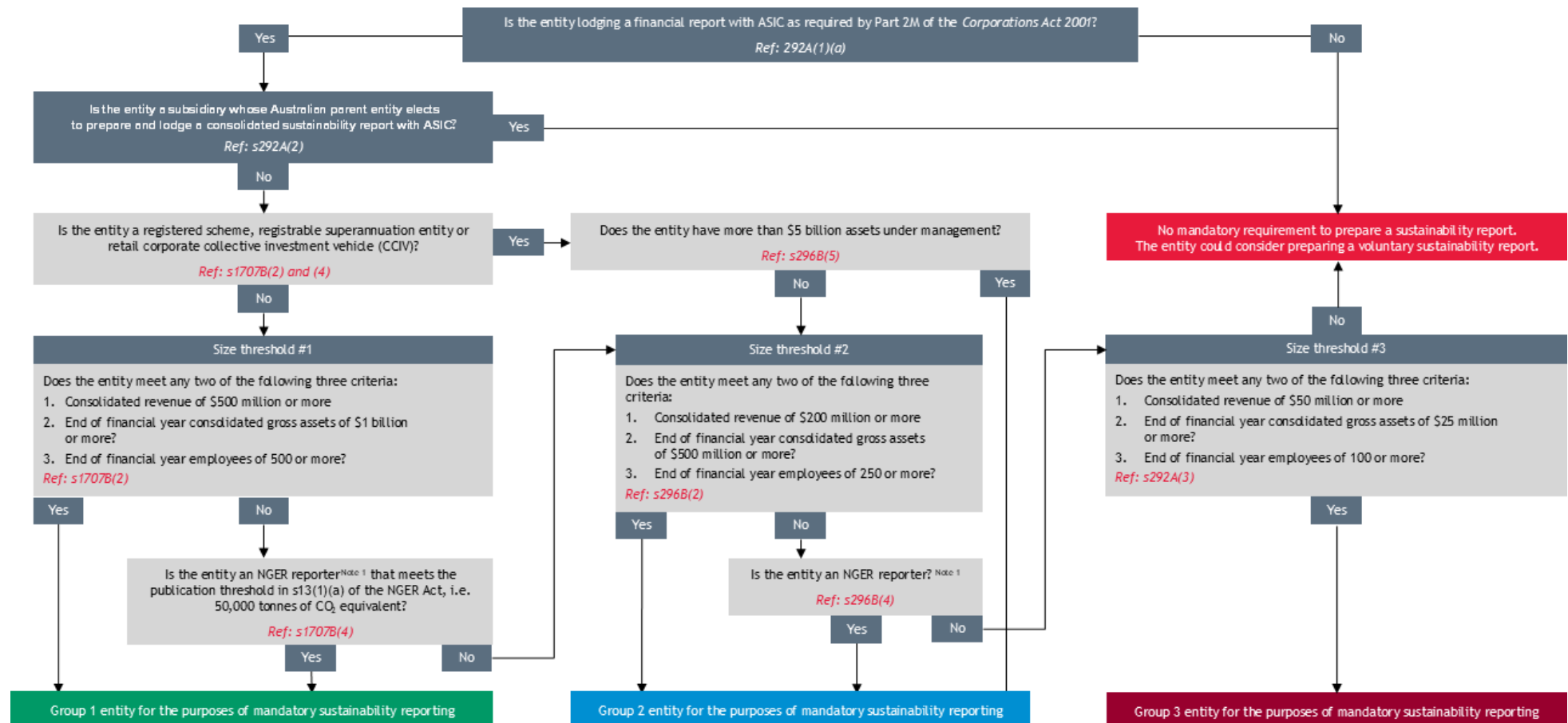
Data Quality and Technology Constraints: Given that some of this information will be being captured and generated for the first time, govern data and assess technology readiness.

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

Appendix 4 Sustainability reporting *continued*

Who is required to prepare climate-related financial disclosures?

The following decision tree diagram will assist you in determining whether your entity is subject to mandatory sustainability reporting, and if applicable, which of the three groups it falls into.



Note 1: An entity is an NGER reporter if it is a controlling corporation registered or required to be registered under s12(1) of the National Greenhouse and Energy Reporting Act 2007 (NGER Act).

Appendix 4 Sustainability reporting *continued*

When will climate-related reporting be mandated?

The following table outlines the first mandatory reporting period end for Group 1, Group 2 and Group 3 entities with different year-ends.

SUSTAINABILITY REPORTS REQUIRED FOR THE FIRST YEAR ENDING ON DATES SHOWN BELOW			
YEAR-END	GROUP 1 ENTITIES	GROUP 2 ENTITIES	GROUP 3 ENTITIES
31 December	31 December 2025	31 December 2027	31 December 2028
31 March	31 March 2026	31 March 2028	31 March 2029
30 June	30 June 2026	30 June 2027	30 June 2028
30 September	30 September 2026	30 September 2027	30 September 2028

Sustainability reporting standards

The Australian Accounting Standards Board is responsible for setting sustainability reporting standards. Its first two standards, AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (a voluntary standard) and AASB S2 *Climate-related Disclosures* (mandatory standard) align closely with IFRS® Sustainability Disclosure Standards.

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. Though Council is not required to report under Corporation Act, and we are yet aware of any changes in the Local Government Act that would require the inclusion of Sustainability Report in Council’s Annual Report, 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 for your information.

Group 2 entities: Best practice roadmap

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

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