

23 January 2026

Michael Sedgman  
CEO  
City of Adelaide  
25 Pirie Street  
Adelaide SA 5000

Dear Michael,

## AUDIT ENGAGEMENT LETTER

### Scope

You have requested that we audit the financial report of City of Adelaide (the Council) which comprises the balance sheet as at 30 June 2026, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and Council certificate. You have also requested that we provide an audit of the compliance of the Council with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2025 to 30 June 2026 have been conducted properly and in accordance with law. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of expressing an opinion on the financial report and financial controls in place.

### The responsibilities of the auditor

We will conduct our audit of the financial report of the Council in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

#### Mount Gambier

233 Commercial Street West  
PO Box 246, Mount Gambier SA 5290  
P: (08) 8725 3068  
F: (08) 8724 9553  
E: [admin@galpins.com.au](mailto:admin@galpins.com.au)

#### Stirling

Unit 4, 3-5 Mount Barker Road  
PO Box 727, Stirling SA 5152  
P: (08) 8339 1255  
F: (08) 8339 1266  
E: [stirling@galpins.com.au](mailto:stirling@galpins.com.au)

#### Norwood

3 Kensington Road, Norwood SA 5067  
PO Box 4067, Norwood South SA 5067  
P: (08) 8332 3433  
E: [norwood@galpins.com.au](mailto:norwood@galpins.com.au)

W: [www.galpins.com.au](http://www.galpins.com.au)

Galpins Trading Pty Ltd  
ABN: 89 656 702 886

We will conduct our audit of the compliance of the Council with the requirements of Section 125 of the *Local Government Act 1999* in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the Internal Controls specified above for the period 1 July 2025 to 30 June 2026. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

In making our risk assessments, we consider internal control relevant to the Council's preparation of the financial report 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 Council'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.

### **The responsibilities of the Council and management**

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

- (a) for the preparation of the financial report that presents fairly in accordance with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards;
- (b) for such internal control as the Council and management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error;
- (c) for the identification of risks that threaten compliance with section 125 of the *Local Government Act 1999*;
- (d) for design of the system, comprising controls which will mitigate those risks so that those risks will not prevent achievement of compliance with section 125 of the *Local Government Act 1999*;
- (e) for ensuring that the financial controls established by the Council were suitably designed to ensure compliance with section 125 of the *Local Government Act 1999*;
- (f) for operation of the controls as designed throughout the period;
- (g) to provide us with:
  - (i) access to all information of which the Council and management are aware that is relevant to the preparation of the financial report and compliance with section 125 of the *Local Government Act 1999* such as records, documentation and other matters;

- (ii) additional information that we may request from the Council and management for the purpose of the audit of the financial report and the controls opinion;
- (iii) unrestricted access to persons within the Council from whom we determine it necessary to obtain audit evidence;

(h) for adjusting the financial report to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial report as a whole;

(i) for informing us of your knowledge of any allegations of fraud or suspected fraud affecting The Council received in communications from employees, former employees, regulators, or others;

(j) for identifying and ensuring that the Council complies with applicable laws and regulations.

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

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

### **Quality control**

The conduct of our audit in accordance with Australian Auditing Standards means that information acquired by us in the course of our audit is subject to strict confidentiality requirements. Information will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent.

Our audit files may, however, be subject to review as part of the quality control review program of CPA Australia and/or The Institute of Chartered Accountants in Australia which monitors compliance with professional standards by its members. We advise you that by signing this letter you acknowledge that, if requested, our audit files relating to this audit will be made available under this program. Should this occur, we will advise you. The same strict confidentiality requirements apply under this program as apply to us as your auditor.

### **Independence**

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the Australian professional accounting bodies or any applicable code of professional conduct 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, we shall notify you on a timely basis.

To assist us in meeting the independence requirements, and to the extent permitted by law and regulation, we request you discuss with us:

- (a) the provision of services offered to you by us prior to engaging or accepting the service; and

(b) the prospective employment opportunities of any current or former partner or professional employee of our firm prior to the commencement of formal employment discussions with the current or former partner or professional employee.

### **Communication**

We may communicate with you or others via email transmission. Due to the nature of email transmission, we cannot guarantee that emails from us will be properly delivered and/or read only by the addressee. Therefore, we accept no liability or responsibility for any loss or damage to any person or entity resulting from the use of email transmissions in connection with this engagement.

### **Limitation of liability**

Our liability is limited by a scheme approved under Professional Standards Legislation. Further information on the scheme is available from the Professional Standards Councils' website:  
<http://www.professionalstandardscouncil.gov.au>.

### **Paperless files**

We advise that our firm maintains paperless files. Necessary documents that we need will be retained as scanned copies only. We will not keep original documents belonging to you – these will be scanned and returned to you. If documents are required by you in future for any purpose, we will only be able to provide scanned copies.

### **Presentation of audited financial report on the internet**

The Council may intend to publish a hard copy of the audited financial report and auditor's report for members, and to electronically present the audited financial report and auditor's report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by the Council to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the Council'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 Council's web site is that of the Council.

### **Fees**

We look forward to full cooperation from your staff and we trust that they will make available to us whatever records, documentation and other information we request in connection with our audit. Audit fees are specified in our tender. Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. Our usual credit term will apply to this engagement which is 14 days from the date of invoice.

Our fee assumes that unaudited data (including trial balance, financial statements and notes to the accounts) are presented for audit in a satisfactory, auditable and timely manner, with full supporting schedules and documentation. While we will use our best endeavours to work with the Council to achieve a positive outcome,

our fee does not allow for rework of the financial report after submission for audit, other than for minor audit adjustments. Where we consider that the quality of data presented will result in additional audit effort, we may need to negotiate an additional fee. In order to maintain audit independence, it is necessary that we avoid providing assistance to the Council to prepare the financial report.

Additional grant audits provided is charged on hourly basis, it depends on the number, size and nature of grants requiring acquittal.

### **Ownership of documents**

All original documents obtained from the client arising from the engagement shall remain the property of the client. However, we reserve the right to make a reasonable number of copies of the original documents for our records. All other documents produced by us in respect of this engagement will remain the property of the firm.

The firm has a policy of exploring a legal right of lien over any client documents in our possession in the event of a dispute. The firm has also established dispute resolution processes.

### **Other**

This letter will be effective for future years unless we advise you of its amendment or replacement, or the engagement is terminated.

Please sign and return this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial report including our respective responsibilities.

Yours sincerely,



**Tim Muhlhausler** CA, Registered Company Auditor  
Partner

Acknowledged and agreed on behalf of City of Adelaide by

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Michael Sedgman  
CEO

Date