Galpins

Accountants, Auditors & Business Consultants

DRAFT 2024/2025 Audit Completion Report

Barossa Council

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SUMMARY OF AUDIT

To the members of the audit committee of the Barossa Council

We are pleased to present our Audit Completion Report for the financial year ended 30 June 2025. The purpose of this document is to summarise the key accounting and audit matters that have arisen during the engagement and our audit conclusions.

We have issued the following opinions:

Intended opinions	Type of opinion	Proposed Auditor's Report
Opinion on the Financial Statements	Unmodified	Refer to Appendix 1 of this report.
Controls Opinion	Unmodified	Refer to Appendix 2 of this report.

We have included in this report the following information to ensure that councillors, management and audit committee members are aware of all significant matters relating to the audit.

Matters	Sections
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We confirm that for the audit of the year ended 30 June 2025 we have maintained our independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, 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 that Act.

Yours faithfully

Tim Muhlhausler CA Registered Company Auditor
Date: 28 November 2025

1. Status of Our Audit Work

Below is a summary of the status of audit activities and key documents related to the completion of our final audit.

Activities/Documents	Responsibility	Status
Final draft of the financial report	Management	Completed
Final audit visit	Audit	Completed
Final substantive procedures	Audit	Completed
Audit verification of the final draft of the financial report	Audit	Completed
Final draft of the financial report after audit verification	Management	Completed
Audit Completion Report	Audit	Completed
Final audited financial statements from the Council's subsidiaries	Management	Completed
Signed certification of auditor independence	Management	**Note 1**
Final financial report after considerations from the audit and risk committee	Management	**Note 1**
Signed certification of financial statements	Management	**Note 1**
Signed management representation letter	Management	**Note 1**
Final Independent Auditor's Report on the Internal Controls	Audit	**Note 2**
Final Independent Auditor's Report on the Financial Report	Audit	**Note 2**

Note 1 To be provided after the audit and risk committee meeting.

Note 2 To be provided by audit on receipt of both the:
- final financial report containing the signed certification of financial statements and the signed certification of auditor independence, and
- signed management representation letter.

2. Summary of Audit Risks and Overall Responses

Below, a summary of our initial audit risks identified in our audit plan presented to the audit committee, the audit approach and responses to address these risks and the final audit risks (residual risks) after the execution of our audit procedures.

Statement of Comprehensive Income – Income

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Rates and charges	High	39,947	RA1/RA2/RA3/RA4/RE1/RE2	Controls and substantive tests	Low	Fairly presented
Statutory charges	Moderate	923	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
User charges	Moderate	4,038	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
Grants	Moderate	6,485	GR1/GR2/GR3/RE1/RE2	Substantive tests	Low	Fairly presented
Investment Income	Low	233	II1	Substantive tests	Low	Fairly presented
Reimbursements	Low	2	OR1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	100	OR1/OE1	Substantive tests	Low	Fairly presented
Other Income	Low	973	OR1	Substantive tests	Low	Fairly presented

Statement of Comprehensive Income - Expenses

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Employee costs	High	18,798	PA1/PA2/PA3/PA4/PA5/PA6	Controls and substantive tests	Low	Fairly presented
Materials / Contracts / Other Expenses	High	20,223	PP1/PP2/PP3/PP4/PP5/PP6 CO1/CO2/CO3 CC1/CC2/CC3	Controls and substantive tests	Low	Fairly presented
Depreciation and amortisation	High	11,643	FI4	Controls and substantive tests	Low	Fairly presented
Finance Costs	Low	1,544	BO1	Substantive tests	Low	Fairly presented

Statement of Comprehensive Income – Other Comprehensive Income

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Asset Disposals & FV Adjust	High	(973)	FI1/FI3	Controls and substantive tests	Low	Fairly presented
Amounts Received Specifically for New or Upgraded Assets	Moderate	26,031	GR1/GR2/GR3/RE1/RE2	Substantive tests	Low	Fairly presented
Physical Resources Received Free of Charge	Low	7,268	FI1	Substantive tests	Low	Fairly presented

Statement of Financial Position – Assets

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Cash and cash equivalents	High	844	BA1/BA2/IN1/IN2/IN3	Controls and substantive tests	Low	**Fairly presented**
Trade and other receivables	Moderate	2,970	DE1/DE2/DE3/DE4/DE5/PR1	Controls and substantive tests	Low	**Fairly presented**
Inventories	Low	233	N/A	Substantive tests	Low	**Fairly presented**
Financial Assets & NC Receivables	Low	39,345	LO1	Substantive tests	Low	**Fairly presented**
Equity Accounted Businesses	Low	4,618	OR1/OE1	Substantive tests	Low	**Fairly presented**
IPPE + WIP	High	452,571	FI1/FI2/FI3/FI4/FI5	Controls and substantive tests	Low	**Fairly presented**

Statement of Financial Position – Liabilities

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Trade and other payables	High	4,441	AP1/AP2/AP3/AP4/AP5/TA1/AE1	Controls and substantive tests	Low	**Fairly presented**
Borrowings	Low	698	BO1/BO2/BO3/BO4	Substantive tests	Low	**Fairly presented**
Provisions	Moderate	3,376	EP1	Substantive tests	Low	**Fairly presented**
Trade and other payables - NC	High	1,676	AP1/AP2/AP3/AP4/AP5/TA1/AE1	Controls and substantive tests	Low	**Fairly presented**
Borrowings - NC	Low	32,304	BO1/BO2/BO3/BO4	Substantive tests	Low	**Fairly presented**
Provisions - NC	Moderate	791	EP1	Substantive tests	Low	**Fairly presented**

Statement of Financial Position – Equity

Accounts	Initial Audit Risk	$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Accumulated Surplus	Low	137,824	N/A	Substantive tests	Low	**Fairly presented**
Asset Revaluation Reserves	High	302,429	FI3	Controls and substantive tests	Low	**Fairly presented**
Other Reserves	Low	17,042	N/A	Substantive tests	Low	**Fairly presented**

Intended Audit Opinion
In our opinion, except for the effects of the matter referred to in the Basis for Qualified Opinion section of our independent auditor's report, the financial report prepared by the Council presents fairly, in all material respects, the Council's financial position as at 30 June 2025 and its financial performance for the year ended on that date.

* A list of the main risks as per the Better Practice Model (BPM) addressed during our audit and related risk references is provided in Appendix 4.

3. Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report. We address these matters in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

3.1 Valuation of Infrastructure assets

Why the matter is significant	How the matter was addressed
Infrastructure assets are valued at fair value. The fair values of these assets were based on depreciated current replacement costs which is comprised by the gross replacement cost less accumulated depreciation. Council values the gross replacement cost using the estimated average cost (unit cost) at which it could construct a substitute asset of comparable quality in the normal course of business. There was inherent subjectivity involved in making judgments in relation to assumptions used to estimate unit rates which also involved determining the: ▪ components of assets that are replaced at different times in the asset lifecycle ▪ costs required to replace these components using current prices for materials, labour, and plant costs ▪ indices for measuring subsequent changes in unit rates. The useful lives of assets and the measurement of accumulated depreciation are determined by external valuers. Significant judgement is used to determine the different useful lives for different components of assets and to calculate the depreciation that would have accumulated since original construction using these estimated useful lives. The significant professional judgments used to estimate the gross replacement cost and the accumulated depreciation are also relevant to the calculation of the annual depreciation expense of these assets.	Our audit included but was not limited to the following activities: ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset register ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ reviewed the fair value hierarchy provided in note 7 for each category of asset ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation ▪ reviewed the methodology used by Council to perform componentisation of infrastructure assets and compared the methodology used to Council's actual asset management practices and to other local government entities ▪ reconciled the unit rates used for different components of infrastructure assets to the unit rates provided in the revaluation report ▪ reviewed the unit rates mentioned above and compared them to different local government entities ▪ assessed the adequacy of disclosures in the financial report.

3.2 Valuation of Land and Buildings

Why the matter is significant	How the matter was addressed
Land and buildings are valued at fair value. The basis of valuation to be used for these assets depends on a number of factors such as the nature of the asset, purpose of their use, the highest and best use of the asset, potential restrictions to the disposal of these assets among other factors. Valuation of land depends on whether the land is classified as Crown land or community land. Community land and Crown land are valued using unobservable (level 3) inputs as the allowance for the restriction on sale (requiring Ministerial consent) is usually an unobservable input, and is likely to have a significant effect on valuation. Land, where Council has an unfettered right to sell them, is usually valued at current market value based on their highest and best use. Level 2 inputs are primarily used for land during the valuation process. Valuation of buildings depends on the nature of these assets. Some Council buildings have no active market due to the specialised nature of the assets and the services they provide. For such buildings fair value is usually determined on the basis of replacement with a new building having similar service potential. Valuation techniques used to measure fair value of these buildings include significant unobservable inputs (level 3). For buildings that have an active market, buildings are assessed on market value principles which is deemed to be their fair value based on level 2 inputs. The most significant input into this valuation approach is sales transactions of comparable properties within the City, adjusted for any pertinent differences. The significant professional judgments used to estimate the value of buildings are also relevant to the calculation of the annual depreciation expense of these assets.	Our audit included but was not limited to the following activities: ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset registers ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ analysed the nature of the land building assets and concluded whether the fair value hierarchy provided in note 7 for each category of asset was reasonable ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation; and ▪ assessed the adequacy of disclosures in the financial report.

3.3 Accounting treatment of capitalisation of assets

Why the matter is significant	How the matter was addressed
Councils are asset intensive and highly dependent on multiple assets to deliver services to customers. Hence, there is a high volume of transactions and significant amounts involved in relation to capitalisation of assets. Due to the unique characteristics of Council's assets a number of considerations are taken into account when an expenditure is capitalised which include: ▪ whether Council is incurring capital expenditure to physical resources that are controlled by Council. Control is the most difficult of the characteristics of an asset to be defined as this usually goes beyond the legal ownership; ▪ Inclusions and exclusions of costs at initial recognition of an assets in accordance with AASB 116; ▪ Cost involved in dismantling and removing the asset and/or restoring the site under AASB 137; ▪ Borrowing costs to be capitalised into the cost of IPPE where the asset is a "qualifying asset" as per AASB 123; and ▪ accounting for subsequent costs and defining the nature of these costs as being capital or maintenance expenditure.	Our audit included but was not limited to the following activities: ▪ performed analytical procedures to define whether the amounts capitalised for the FY was in accordance with our expectation and our understanding of the entity; ▪ reviewed internal controls in place for capitalisation of assets; ▪ selected a sample of additions and performed an assessment of the nature of the addition and concluded whether the addition was recognised in accordance with Australian Accounting Standards; ▪ reviewed the WIP schedule and selected a sample of transfers out to ensure that the asset was appropriately valued and capitalised in the right account; and ▪ reviewed the WIP schedule in order to identify projects that should have been capitalised but were not.

3.4 Revenue Recognition

Why the matter is significant	How the matter was addressed
AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities apply to revenue recognition for SA Councils. Income from capital and other specific purpose grants needs to be assessed to determine whether it is recognised on receipt, or recognised over time as performance obligations are met (where these obligations are sufficiently specific and rise from enforceable contracts) and a liability recognised for unspent monies.	Our audit included but was not limited to the following activities: ▪ performed analytical procedures to identify any variance that would represent a risk or incorrect application of AASB 15 and AASB 1058 ▪ reviewed a sample of grant agreements and assessed whether agreements contain sufficiently specific performance obligations ▪ evaluated the accounting treatment used by Council to account for the grant agreements in place selected for our tests ▪ tested a sample of financial transactions for compliance with Australian Accounting Standards.

3.5 Management Override of Controls

Why the matter is significant	How the matter was addressed
Management is inherently in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare a fraudulent report by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, the risk of material misstatement due to fraud is, by default, considered a significant risk.	Our audit included but was not limited to the following activities: ▪ tested the appropriateness of journal entries recorded in the general ledger ▪ reviewed accounting estimates for biases ▪ performed final analytical procedures to conclude as to whether the financial report is consistent with our understanding of the entity ▪ requested written representation from Management ▪ reviewed IT access controls rights processes in place ▪ reviewed processes in place to ensure independent reviews of exception reports generated by Council ▪ reviewed processes in place to ensure independent reviews of audit trails of changes to master files.

3.6 Other High Risk Areas

The other high risk areas described in this section are account balances and/or audit areas that are not subject to a high degree of professional judgement, however we assessed their inherent risks as being high due to the materiality of the account balances, the high volume of transactions involved and other reasons outlined below:

Account balance	Why the risk is High	Overall audit response
Rates and charges	- largest revenue item - it is often used as a reference point for analysing expenditure decisions - politically sensitive – reputational risk involved if rates are raised incorrectly.	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - comparison of total capital values from the VG report to the total capital value recorded in the rates system - reconciliation of the rates modelling to the rates system and to the general ledger - recalculation of rates for a sample of rate payers.
Employee costs	- one of the largest expense items - high volume of transactions / data – subject to error - errors impact individuals financially.	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of employee files (contracts, awards, EBs) - inspection of timesheets - recalculation of a sample of individual payments.
Materials, Contracts & Other expenses	- one of the largest expense items - High volume of transactions / date – subject to error - fraud risk area (procurement, payments and credit cards) - procurement and contracting are key focus areas for ICAC and the Auditor-General's Department.	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of supporting documents (contracts, invoices, purchase orders, subsequent payments, etc) for a sample of expenses.
Cash and cash equivalents	- material balance - fraud risk - errors and/or fraud in cash may be indicative of broader errors - poor attitude to cash controls may be indicative of poor culture related to the entity's controls environment - public money.	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - bank confirmation - inspection of bank statements - verification of outstanding reconciling items - reperformance of bank reconciliations.
Trade and other payables	- one of the largest liabilities - material balance - opportunity for understatements - poor use of accrual basis of accounting may be indicative of poor culture - payments represent an opportunity for fraud.	- walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - reconciliation between subsidiary ledgers and the general ledger - inspection of subsequent payments for a sample of creditors - inspection of a sample of subsequent payments for completeness test.

4. Internal Controls Opinion and Recommendations

We have performed an extensive review of the Council's financial controls for the purpose of forming our control opinion as required by section 129 of the *Local Government Act 1999* based on council's obligations under s125 of that Act.

Our controls opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the Council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively			2025 Findings			
		2025	2024	2023	H	M	L	BP
Purchasing & Procurement/Contracting	7	6*	6	6	1*	1*	-	-
Fixed Assets	8	8	7	7	-	-	-	-
General Ledger	8	6	5	6	-	2	-	-
Accounts Payable	8	8	7	8	-	-	-	-
Payroll	11	10	11	11	-	1	-	-
Rates / Rates Rebates	8	7	7	6	-	1	-	-
Credit Cards	5	5	5	5	-	-	-	-
Debtors	3	3	3	3	-	-	-	-
Banking	5	4	3	4	-	-	1	-
Receipting	2	2	2	2	-	-	-	-
Total	**65**	**59**	**56**	**58**	**1**	**5**	**1**	**-**

**Two findings relating to a single internal control*

Overall the Council demonstrated a satisfactory level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim audit visit we found that the majority of key internal controls reviewed were in place and were operating effectively (56 out 65 core controls reviewed). Risks were rated based on an assessment of the risk of non-compliance with s125 of the Local Government Act 1999 as described in Appendix 5 – Risk Ratings.

An ***interim audit management letter*** was issued and presented to the audit committee containing our overall assessment of the council's internal controls and all the controls weaknesses identified during our review of the Council's financial controls.

A summary of all the findings included in our interim management letter is included in **Appendix 6 – Summary of Findings Identified - Interim Audit.**

In our opinion, subject to the satisfactory completion of the items described in section 1 of this report, the ***Council has complied, in all material aspects, with Section 125 of the Local Government Act 1999*** in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

5. Final Management Letter

We have identified the following additional performance improvement observations when performing our substantive procedures during our final audit:

1. Leave Entitlements	Risk: Moderate
Finding	A full-time employee accrues 152 hours of annual leave in a year. At the end of 2024-25 there are 19 (2024: 19) employees with a balance greater than two years entitlement (>304 hours). Audit notes that a monthly report on leave balances is forwarded and discussed at the monthly ELT meetings.
Risk	Leave balances exceeding the allowable balances under the relevant EB. Staff not taking leave has financial implications as leave is paid at higher rates than it was accrued, and may lead to health, safety and welfare issues. Regular taking of leave also acts as a fraud prevention control.
Recommendation	Council continues to monitor leave balances and implements strategies to reduce excessive balances and prevent employees from accumulating excessive annual leave balances in future.
Management Response	

2. Landfill Provision	Risk **Low**
Finding	The Council's provision for landfill capping and post-closure restoration has been increased annually by CPI for at least the past nine years. No recent independent assessment has been undertaken. Relying solely on CPI adjustments may not reflect the true value of the liability.
Risk	Whilst the financial statement impact is considered unlikely to be material, the provision may become increasingly inaccurate over time if based solely on CPI adjustments. This may affect long-term asset management planning and future budgeting for rehabilitation works.
Recommendation	Council should arrange for an independent valuation of the landfill capping and post-closure restoration to ensure the provision is appropriately accurate.
Management Response	

Risks were rated based on an assessment of the risk of non-compliance with s125 of the Local Government Act 1999 as described in the Appendix 5 – Risk Ratings.

6. Immaterial Uncorrected Misstatements

COUNCIL

IUM 1 – Use of Valuer-General valuation for Level 3 land					
D/C	Account at FS level	Assets Increase/ (decrease) $'000	Liabilities/Equity (Increase)/ decrease $'000	Income (Increase)/ decrease $'000	Expense Increase/ (decrease) $'000
D	Land	+/-18,900			
C	Asset revaluation reserve		+/-18,900		
Description: Land assets have been valued using Valuer-General (VG) valuation data. These valuations were adopted for financial reporting purposes in the absence of an independent fair value assessment. The Valuer-General's valuation methodology is not fully compliant with the Australian Accounting Standards, and may result in assignment of different land values. Our estimate is based on an assumption of plus or minus 30% variance in valuation. This potential misstatement is considered immaterial in the context of the financial information needs of users of the financial report, and the fact that land is non-depreciable.					

NCPA

IUM 2 – Infrastructure, property, plant & equipment					
D/C	Account at FS level	Assets Increase/ (decrease) $'000	Liabilities/Equity (Increase)/ decrease $'000	Income (Increase)/ decrease $'000	Expense Increase/ (decrease) $'000
D	Materials, contracts and other expenses	200			
C	Capital work in progress		200		
Description: NCPA made a capital contribution of $200,000 to Barossa Council for the soccer facility in the 2023/24 financial year. This amount was incorrectly recorded as an asset in WIP as at 30 June 2024, but should have been recorded as an expense because NCPA do not own the asset. The contribution has been subsequently expensed as a 'Contributions and Donations expense' in 2024/25. In addition, the cash flow statement contains an adjustment between 'Payments for materials, contracts and other expenses' and 'Expenditure on renewal/replacement of assets' in relation to this transaction.					

7. Corrected Adjustments

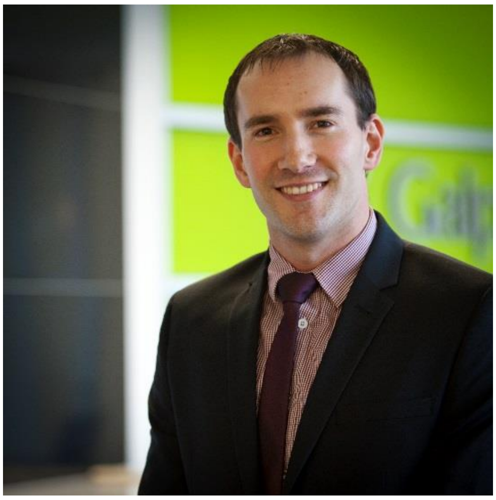
In addition to various minor adjustments, Audit requested the following audit adjustments that have been processed:

- Cash flow statement adjustments: Adjustments were requested to include GST gross-up on reported values, adjust the split between 'Amounts specifically for new or upgraded assets' and 'Expenditure on new/upgraded Assets', and reallocate movements in grants in advance and bonds & deposits.

- Financial Instrument adjustments: Adjustments were requested based on a recalculation of recognisable financial assets and liabilities and their corresponding contractual cashflows.

- Financial Indicator adjustments: Adjustments were requested based on the updated methodology per the Model Financial Statements for calculating the adjusted ratios.

8. Contact Details



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Appendix 1 – Proposed Independent Auditor's Report on the Financial Report

To the members of the Barossa Council

Opinion

We have audited the accompanying financial report of the Barossa Council (the Council), which comprises the statements of financial position as at 30 June 2025, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of Barossa Council.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2025, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, Local Government Act 1999 and 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 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 ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Council's Responsibility for the Financial Report

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

In preparing the financial report, Council is 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 Council either 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 Responsibility 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 misstatements, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level 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 decision of users taken on the basis of this financial report.

As part of an audit of the financial report in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk 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, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design procedures that are appropriate in the circumstances, but for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Council'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 Council's ability 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 2 – Proposed Independent Auditor's Report on the Internal Controls

To the members of the Barossa Council

Independent Assurance Report on the Internal Controls of the Barossa Council

Opinion

We have audited the compliance of the Barossa Council (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 2024 to 30 June 2025 have been conducted properly and in accordance with the law.

In our opinion, the Barossa Council has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to internal controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2024 to 30 June 2025.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement 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 2024 to 30 June 2025. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council's Responsibility for Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the Local Government Act 1999 to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other 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.

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with 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 receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical 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 2024 to 30 June 2025. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of Controls

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

An assurance engagement on 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.

Limitation of Use

This report has been prepared for the members of the Council in accordance with section 129 of the *Local Government Act 1999* in relation to the internal controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 3 – Statement by Auditor

I confirm that, for the audit of the financial statements of the Barossa Council for the year ended 30 June 2025, I have maintained my independence in accordance with 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), in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 4 – Better Practice Model (BPM) Risks

The risks outlined below are the main BPM risks addressed when determining our audit approach / response as described in section 2 of this report.

Business Cycles	Risk REF	Risks
Rates	RA1	Council does not raise the correct level of rate income
	RA2	Rates and rate rebates are either inaccurately recorded or not recorded at all
	RA3	The property master file data does not remain pertinent
	RA4	Rates are not collected on a timely basis
User Pay Income / Fee for services	US1	The fee charged does not reasonably reflect the value of the services provided
	US2	Council does not apply User Pay principles consistently
	US3	User pay income is either inaccurately recorded or not recorded at all
Investment / Interest Income	II1	Investment income is either inaccurately recorded or not recorded at all
Other Revenue	OR1	Other revenue is either inaccurately recorded or not recorded at all
Grants	GR1	Council loses recurrent grant funding to provide existing services
	GR2	Grant funding is not claimed by Council on a timely basis or not claimed at all
	GR3	Grants are either inaccurately recorded or not recorded at all
Receipting	RE1	Receipts are either inaccurately recorded or not recorded at all
	RE2	Receipts are not deposited at the bank on a timely basis
Purchasing & Procurement	PP1	Council does not obtain value for money in its purchasing and procurement
	PP2	Purchase of goods and services are made from non-preferred suppliers
	PP3	Purchase orders are either recorded inaccurately or not recorded at all
	PP4	Purchase orders are made for unapproved goods and services
	PP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Payroll	PA1	Payroll expense is inaccurately calculated
	PA2	Payroll disbursements are made to incorrect or fictitious employees
	PA3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all
	PA4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
	PA5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation
	PA6	Employees termination payments are not in accordance with statutory and enterprise agreements
Credit cards	CC1	Credit cards are issued to unauthorised employees
	CC2	Credit cards are used for purchases of a personal nature

Business Cycles	Risk REF	Risks
	CC3	Credit card limits are set at inappropriate levels
Other Expenses	OE1	Other expenses are invalid, inaccurately recorded or not recorded at all
Contracting	CO1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process
	CO2	Council does not obtain value for money in relation to its Contracting
	CO3	Commitments are made for unapproved goods and services
Banking	BA1	Banking transactions are either inaccurately recorded or not recorded at all
	BA2	Fraud (i.e. misappropriation of funds)
Investments	IN1	Council makes poor investment decisions
	IN2	Investment transactions are either not recorded or are recorded inaccurately
	IN3	Investment income is inaccurately calculated or not recorded in the appropriate period
Debtors	DE1	Debtors are either inaccurately recorded or not recorded at all
	DE2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
	DE3	An appropriate provision for doubtful debts is not recorded
	DE4	Debtors are either not collected on a timely basis or not collected at all
	DE5	The Debtors master file data does not remain pertinent.
Fixed Assets	FI1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent
	FI2	Fixed assets are inadequately safeguarded
	FI3	Fixed assets are not valued correctly initially or on subsequent revaluation
	FI4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals
	FI5	Fixed asset maintenance and/or renewals are inadequately planned
Prepayments	PR1	Prepayments are either inaccurately recorded or not recorded at all
Loans to Community groups	LO1	Loans to community groups are inaccurately recorded or not recorded at all
Accounts Payable	AP1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all
	AP2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all
	AP3	Disbursements are not authorised properly
	AP4	Accounts are not paid on a timely basis
	AP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Accrued Expenses	AE1	Accrued Expenses are either inaccurately recorded or not recorded at all

Business Cycles	Risk REF	Risks
Borrowings	BO1	Borrowings are either not recorded or are recorded inaccurately
	BO2	Loans are taken out without appropriate approval
	BO3	Loans are not repaid in accordance with agreed terms
	BO4	Loan repayments are not recorded at all or are recorded inaccurately
Employee Provisions	EP1	Employee provisions are either inaccurately recorded or not recorded at all
Taxation	TA1	Tax liabilities are either inaccurately recorded or not recorded at all

Appendix 5 – Risk Ratings

The audit findings identified during our interim audit documented in our interim management letter and in section 4 of this report were rated as follows:

Category	Description
Potential Material Weaknesses	The issue described could lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the council's financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the council's internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.

Appendix 6 – Summary of Findings Identified- Interim Audit

Business Cycle	Findings	Risk
Purchase & Procurement / Contracting	2.1.1 Instances of procurement undertaken without documented CEO approval	H
	2.1.2 Instance of exemption from procurement policy not being properly executed	M
Fixed Assets	*Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act*	N/A
General Ledger	2.2.1 A list of IT users with access to key finance modules in CiA cannot currently be exported or reviewed by Finance Management	M
	2.2.2 Some key IT policies / procedures are not up to date	M
Accounts Payable	*Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act*	N/A
Rates	2.3.1 No formal review of Pathway user access and excessive Administrator users	M
Credit cards	*Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act*	N/A
Debtors	*Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act*	N/A
Banking	2.4.1 'Authorised Financial Signatories Register' not updated to reflect staffing changes	L
Payroll	2.5.1 Audit trail reports of changes to the employees' master files are not produced or independently reviewed	M
Receipting	*Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act*	N/A