



Report on Significant Findings 2021-22 Final Audit

1. Fair Value Assessment

Finding - Significant

The Shire has not performed a full assessment to determine whether its land and buildings, and footpath infrastructure assets represent fair value as at 30 June 2022. The Shire is required under AASB 13 Fair Value Measurement and Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations) to perform an assessment to determine if there are any trigger events requiring a more robust analysis of fair value in financial years where a formal valuation has not been undertaken.

Recommendation

The Shire should consider implementing, as part of the preparation of financial statements each year, a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of the Assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Measurement. This process is to ensure that the Shire's infrastructure assets are recorded at fair value in compliance with AASB 13 Fair Value Measurement and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets is likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally, the LG entity may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

Management Comment

Management review the assets annually as part of the Budget Process and End of Financial Year process to determine whether the assets owned by the Shire are representing a fair value and the expected useful life of the assets are realistic.

The Shire will research a more suitable approach to comply with the AASB 13 and implement a comprehensive process and assessment for the 30 June 2023 financial year and future years.