Report on Significant Findings 2022-23 Final Audit

1.   Fair Value Assessment

Finding - Significant
The Shire has not performed a robust fair value assessment in 2022-23 to determine whether its property and infrastructure assets, excluding footpaths, represent fair value at the end of the reporting period.

Regulation 17A(4)(b) of the FM Regulations requires a local government to revalue its revalued assets when it is of the opinion that the fair value is likely to be materially different to the carrying amount.

This finding was first raised in 2021-22.

Update to the FM Regulations:
We acknowledged that the FM Regulations was updated on 18 October 2023 and the fair value amendment, which applies from 2023-24, will just require the Shire to revalue its land, building and infrastructure assets every 5 years since the asset's last valuation date (Regulations 17A(4A)). The Shire may also revalue earlier if it chooses to do so (Regulation 17A(4B)).

Rating: Significant (2022: Significant)
Implication
Without robust assessment of fair value of the Shire's property, and infrastructure assets, apart from footpaths, there is a risk that the fair value of those assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation
We recommend that the Shire comply with the fair value requirements of the updated FM Regulations for 2023-2024 and onwards.

Management Comment
Management undertakes a yearly review of fair value in line with regulatory requirements to determine whether the assets owned by the Shire are representing a fair value and ensure the expected useful life of the assets are realistic.

Following auditor requests, management prepared and provided a memorandum outlining the Shire's position on the valuation of the assets. Management will undertake this review yearly and provide as a similar memorandum as audit support for valuations going-forward.