



SHIRE OF JERRAMUNGUP

8 VASEY STREET, JERRAMUNGUP WA

PO BOX 92, JERRAMUNGUP WA, 6337

PH: (08) 9835 1022

Report on Significant Matters for the financial year ended 30 June 2022

Report per Section 7.12A(4)(a) of the *Local Government Act 1995*

The Audit of the Shire of Jerramungup for the Financial Year ending 30 June 2022 resulted in the findings of one (1) Significant Matter.

Purpose of Report

To address the Shires need for an annual revaluation of Infrastructure.

Significant Matter Identified by OAG – Fair Value of Infrastructure Assets – Frequency of Valuations

The Shire has performed an informal assessment to determine whether its infrastructure assets represent fair value.

This assessment has relied on the Shire's internal assessment by management of the current market conditions. This review indicated there were no significant movements or impacts on its infrastructure assets relevant to 30 June 2022.

Implication

Without a robust assessment of fair value of the Shire's Infrastructure Assets, there is a risk that the fair value of infrastructure 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

The Shire considers implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. 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 are likely to have been impacted to any significant/material extent from the prior year. Where a fair value assessment has been performed internally, the Shire 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

In the 2021/22 financial year an Independent Valuer was engaged to visit and assess all necessary asset information for the Shires Land and Buildings. The Valuer assessed all assets in the asset register as provided by the Shire and a physical inspection was conducted on 10 June 2022. The fair values provided for the Shires assets were reported in the Shires Financial Statements.

The Shire has made a provision in the 2022/23 budget to engage an Independent Valuer to visit and assess all necessary asset information for the Shire's Parks and Ovals, Townscape Assets, Roads and Airstrips and complete a replacement valuation and fair valuation for each item.

Based on the advice recently received the Shire will investigate introducing a formal process to ensure the Shires infrastructure assets are accurately recorded at fair value on an annual basis.

The Shire accepts the recommendation to implement a procedure to capture the Fair Value of the Shires Infrastructure. In the following Financial Years the Shire will assess the need for an internal valuation capturing Fair Value Movement depending on the indicators at the time.

Action taken or intended to be taken

Management of the Shire will introduce an internal assessment to be undertaken by March of each year. This will be determined by indicators at the time which may affect the current fair value of the Shires Infrastructure.

Completion or Proposed Completion Date

Internal Assessment – 30 March 2023

Annual assessment – Ongoing