

File FM.02

22 December 2022

Hon John Carey BA(Hons) MLA  
Minister for Local Government  
Level 7, Dumas House, 2 Havelock Street,  
WEST PERTH WA 6005

Via email: [Minister.Carey@dpc.wa.gov.au](mailto:Minister.Carey@dpc.wa.gov.au)

Dear Minister

Re: LGAct, S7.12A - report addressing any matters identified as significant by the auditor in the audit report

At Council's Ordinary Meeting of 21 December 2022, Council resolved the following:

**Officers Recommendation and Council Resolution**

**Moved: Cr A Jones      Seconded: Cr L West**

**That Council:**

- 1. Accepts the Independent Auditors Report and Annual Financial Report and actions contained in the reports in respect of the 2021/22 audit conducted;**
- 2. Notes progress made on addressing matters raised in the 2020/21 Audit and other matters in the 2021/22 Management Report;**
- 3. Requests the Chief Executive Officer to prepare a report to the Minister for Local Government addressing one matter identified as significant by the auditor in the audit report and stating as above what action the local government has taken or intends to take with respect to each of those matters; and**
- 4. Within 14 days after giving the above report to the Minister the Chief Executive Officer must publish a copy of the report on the local government's official website.**

**Carried: 5/0**

A matter raised by the Auditor is as follows:

**Fair Value of Infrastructure Assets**

Finding

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.

The Shire has performed an assessment to determine whether its infrastructure assets represent fair value. As part of this assessment, management noted that supplier unit rates which are a key input in the valuation process have increased. However, management have advised that they did not have sufficient data to assess all the components impacting the fair value of the infrastructure



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assets and concluded that based on the information they have available, the fair values for these assets as at 30 June 2022 would not result in material changes to current carrying amounts. Management has scheduled a full revaluation of the infrastructure assets for FY 23.

Whilst acknowledging management's assessment, we note that this assessment was not robust to support the conclusion that there were not material movements in fair value during the year.

Rating: Significant

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 Regulations.

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 that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. 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.

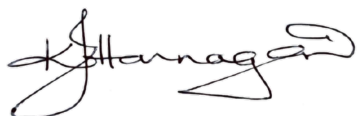
This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year.

Management comment

*Consideration will be given to a more formalised evaluation of indicators that may trigger a requirement to perform a revaluation of any or all Assets earlier than planned/required.*

*The Shire did make an assessment and although this wasn't with input from an independent valuer, it was using managements knowledge and understanding or our Shire's uniqueness. Negotiation with our current road contractor has seen an adjustment to rates which will be reflected in the revaluation of Road Infrastructure Assets 22/23.*

Yours faithfully



Kevin Hannagan  
Chief Executive Officer