



Shire of Denmark

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AUDITED FINANCIAL STATEMENTS 2021/2022

SIGNIFICANT MATTERS IDENTIFIED AND ACTION PROPOSED

Local Government Act 1995 s.7.12A (4)

Report and Actions

Significant Matter	Finding	Action Taken or Proposed
<p>The Shire has not performed an assessment to determine whether its infrastructure assets represent fair value.</p>	<p>Without a robust assessment of fair value of the Shires 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).</p>	<p>At present, the Shire undertakes to revalue an asset class when of the opinion that the fair value of the asset class is likely to be materially different from its carrying amount and in any event every five years.</p> <p>It is noted by management that the finding is not unique to the Shire of Denmark. It appears the OAG has issued a similar finding to almost all local government entities who did not undertake a revaluation of the infrastructure asset class during 2021-22 which appears to have been triggered by observations made on price volatility in the market for construction materials and services after looking at the cumulative effect of the Consumer Price Index (CPI) movement from 2018 to 2022.</p> <p>At this stage management does not consider it necessary to consider the implementation of a process to help identify any markers such as market volatility, which could suggest a significant change in fair value triggering a need for the revaluation of any asset class over and above the Shire's five year revaluation cycle which is in line with legislative requirements.</p> <p>It should be noted that a full revaluation of infrastructure assets is scheduled during the 2022-23 year which is in line with the requirements of AASB116 Property, Plant and Equipment, AASB 13 Fair Value Measurement, and Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996.</p>