

Our Ref: 3.0033  
Enquiries: Julie Burton

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

(Via: Minister.Carey@dpc.wa.gov.au)

Dear Hon Minister

## **2021/21 Annual Audit – Reporting of Significant Matters**

As required by Section 7.12A of the Local Government Act 1995 (LGA) we wish to report to you the significant matter that has been raised in the Shire of Boddington's 2021/22 Annual Audit. The Office of Auditor General has provided an unqualified opinion of the Shire's 30 June 2021/22 accounts.

### 1. Fair Value of Assets

#### **Finding**

The Shire has not performed a full assessment to determine whether its land, building and infrastructure assets represents fair value. 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.

Rating: Significant

#### **Implication**

Without a robust assessment of fair value of the Shire's land, building and infrastructure assets, 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**

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 Movements. This process is to ensure that the Shire's land, building and 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 acknowledges the recommendation, and will consider implementing a formal process, to assess whether indicators exist that may trigger a requirement to perform a desktop fair valuation assessment for land, buildings and infrastructure assets, for each year where the regulatory revaluation assessment is not being carried out.

It should be noted that during the financial year 2021/2022 all road and associated infrastructure assets were revalued, and the revaluation of land, buildings and other structures is being carried out in 2022/2023.

Should you require further information or clarification on the above, please contact me via email, [shire@boddington.wa.gov.au](mailto:shire@boddington.wa.gov.au) or phone 08 9883 4999.

Yours sincerely



Julie Burton  
**Chief Executive Officer**

27 February 2023

Att

- Extract of the Minutes of the Audit Committee Meeting held 15 December 2022
- Extract of the Minutes of the Ordinary Council Meeting held 23 February 2023

## **5.1 Adoption of Annual Financial Report**

File Reference:	3.0033
Applicant:	Not applicable
Disclosure of Interest:	Nil
Author:	Executive Manager Corporate Services
Attachments:	5.1A Annual Financial Report – 30 June 2022 5.1B Independent Auditor Report – 30 June 2022 5.1C Final Management Letter – 30 June 2022

### Summary

The purpose of this report is for the Audit Committee to consider and review the Independent Auditor Report and Management Letter of the Annual Financial Report for the year ending 30 June 2022.

### Background

Following proclamation of the Local Government Amendment (Auditing) Act 2017, the Auditor General is responsible for the audit of Local Government's Annual Financial Reporting.

The Auditor General contracts approximately 85% of local government audits to audit firms with 15% conducted by the Office of the Auditor General (OAG). AMD Chartered Accountants (AMD) were appointed by the OAG to conduct the audit of the Shire of Boddingtons Annual Financial report ending 30 June 2022. The audit procedure has been conducted under the direction of the OAG, who retains responsibility for forming the audit opinion and issuing the Independent Auditor Report to the Shire.

On Tuesday the 6 December 2022, the Shire President, Chief Executive Officer and Executive Manager Corporate Services attended an audit exit meeting with representation from the OAG and AMD. The audit approach and the audit findings contained in both the interim management letter and final management letter were discussed.

### Comment

The final management letter did not contain any items that were noted in the interim management letter, as the OAG were satisfied that all items had been addressed. There were two new items raised in the final management letter, which are included at attachment 5.1C – Final Management Letter 30 June 2022.

The OAG considered the finding relating to Fair Value of Assets as a significant risk, and has recommended that management consider implementing an annual process, to determine whether indicators exist, that would trigger a requirement to perform a formal revaluation of the Assets. Management acknowledged the recommendation, however, noted that during the financial year 2021/2022 all road and associated infrastructure assets were revalued, and the revaluation of land, buildings and other structures is being carried out in 2022/2023.

There were no other unresolved issues or outstanding matters that required to be included in the Independent Auditor Report, and as such, the Auditor General has issued an unqualified audit.

### Consultation

Office of the Auditor General  
AMD Chartered Accountants

Strategic Implications

Nil

Legislative Implications

Local Government (Audit) Regulations 1995

Regulation 17 – Functions of the Audit Committee

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

Policy Implications

Nil

Financial Implications

Nil

Economic Implications

Nil

Social Implications

Nil

Environmental Considerations

Nil

Risk Considerations

Risk Statement and Consequence	Lack of compliance with legislation is the key risk regarding this recommendation
Risk Rating (prior to treatment or control)	Medium
Principal Risk Theme	Reputational, compliance
Risk Action Plan (controls or treatment proposed)	No further actions proposed

Voting Requirements

Simple Majority

**Officer Recommendation**

**COUNCIL DECISION: 5/22**

**MOVED: Cr Webster**

**That the Audit Committee;**

- 1. Receive the 2021-2022 Annual Financial report, including the Independent Auditor Report, as presented.**
- 2. Recommends that Council endorse the 2021-2022 Annual Financial Report and notes the Independent Auditors Report.**

**SECONDED: Cr Erasmus**

**CARRIED: 7/0**

## 8.2.1 Matter of Significance | 2021/22 Audit Report

File Reference:	3.0033
Applicant:	Not applicable
Disclosure of Interest:	Nil
Author:	Chief Executive Officer
Attachments:	Nil

### Summary

Council is requested to note the report on actions to be taken on any significant matters identified in the 2021/22 Financial Audit report.

### Background

The Office of the Auditor General (OAG) performed the statutory audit of the Annual Financial Statements for the year ended 30 June 2022. The Annual Financial Statements along with the Audit Opinion were presented and noted at the Shire's Audit Committee on 15 December 2022. The overall result of the audit was positive for the Shire, with only two new items raised in the Final Management Letter.

The OAG considered the finding relating to Fair Value of Assets as 'significant'. The word 'significant' triggers the process outlined in section 7.12A(4) and (5) of the Local Government Act 1995:

- 4) A local government must —
  - a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
  - b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- 5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

### Comment

The OAG has recommended that management consider implementing an annual process, to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of the Assets. This recommendation appears to be prompted due to the significant fluctuation in actual costs of assets being constructed, due to supply chain issues over the last 2 years. The reduction in material and contractor availability, has increased costs and therefore the previous valuation of assets, may not reflect the valuation in today's prices. By conducting an annual review process, external market impacts can be assessed for relevance and materiality.

Management acknowledged the recommendation in the Audit Report, however, noted that during the financial year 2021/2022 all road and associated infrastructure assets were revalued, and the revaluation of land, buildings and other structures is being carried out in 2022/2023. Given the asset classes with the highest overall value have either already been undertaken, or are in the process to be undertaken, no further actions are proposed other than to undertake a desktop assessment on an annual basis to determine if a re-valuation is necessary.

### Consultation

Nil

Strategic Implications

Aspiration	Performance
Outcome 12	Visionary leadership and responsible governance
Objective 12.1	Maintain a high standard of leadership, corporate governance and customer service.

Legislative Implications

Local Government Act 1995 – Section 7.12A

Policy Implications

Nil

Financial Implications

Nil

Economic Implications

Nil

Social Implications

Nil

Environmental Considerations

Nil

Risk Considerations

Risk Statement and Consequence	Failure to consider this report and provide a copy of the report to the Minister will result in non-compliance.
Risk Rating (prior to treatment or control)	Moderate
Principal Risk Theme	Compliance, Reputation
Risk Action Plan (controls or treatment proposed)	No additional actions proposed.

Options

1. Endorse the matters to be undertaken in relation to the 'significant matter'.
2. Determine other actions.

Voting Requirements

Simple Majority

**Officer Recommendation and Council Decision**

**COUNCIL RESOLUTION: 07/23**

**Moved: Cr E Schreiber**

**That Council notes the items relating to the deemed 'significant matter' in the 2021/22 Audit Report, along with the actions proposed to be undertaken.**

**Seconded: Cr E Smalberger**

**Carried: 5/0**