

TOWN OF VICTORIA PARK
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
MATTERS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Findings Identified in Prior Year			
1. Fair Value of Infrastructure Assets – Frequency of Valuations		✓	

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

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1. Fair Value of Infrastructure Assets – Frequency of Valuations

Finding

The Town has performed an assessment to determine whether its infrastructure assets represent fair value. This assessment has relied on the Town's internal assessment by management of the current market conditions. This review indicated there were potentially significant movements or impacts on its infrastructure assets, land and buildings relevant to 30 June 2022.

Given the timing of this assessment, the Town did not obtain a formal external valuation.

Rating: Moderate

Implication

Without a robust assessment of fair value of Town Infrastructure, Land and Building Assets there is a risk that the fair value of these 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 Town consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of Infrastructure, Land and Building Assets. This process is to ensure that the Town's 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

The Town has appointed an independent valuer contractor to conduct Asset Revaluation as of 30 June 2023 for following asset classes:

- *Land*
- *Building*
- *Infrastructure and Other Assets*
- *Parks*

The valuation will be accordance with Australian Accounting Standards and includes:

- *Replacement Valuation*
- *Fair Valuation*
- *Insurance Valuation*
- *Market Valuation for all freehold properties.*
- *Fair Value Hierarchy*
- *Valuation Techniques, Basis of Valuation and Inputs Used*
- *Depreciation*
 - *Assets that are made of significant parts that in turn have different lifecycles should be componentized and depreciated separately.*
 - *Method used to demine the amount of depreciation*

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Responsible Person: Manager Finance

Completion Date: August 2023