Public Document Pack

Shropshire Council

Date: Thursday, 15 September 2022

Time: 10.00 am

Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

Contact: Michelle Dulson, Committee Officer
Tel: 01743 257719
Email: michelle.dulson@shropshire.gov.uk

AUDIT COMMITTEE

TO FOLLOW REPORT (S)

11 Third line of assurance: External Audit: Audit Plan 2021/22 (Pages 1 - 26)

The report of the Engagement Lead is attached.
Contact: Grant Patterson (0121) 232 5296

12 Third line of assurance: External Audit: Informing the Audit Risk Assessment for 2021/22 (Pages 27 - 64)

The report of the Engagement Lead is attached.
Contact: Grant Patterson (0121) 232 5296

Committee and Date	Item
Audit Committee	Public

Third line assurance: External Audit: Audit Plan 2021/22

Responsible Officer James Walton
e-mail: James.walton@shropshire.gov.uk Tel: 01743 258915

1. Synopsis

The External Audit Plan for the year ended 31st March 2022 provides an overview of the planned scope and timing of the statutory audit of Shropshire Council ('the Council') for those charged with governance.

2. Executive Summary

2.1 The scope of the audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). Auditors are responsible for forming and expressing an opinion on the:

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for.

2.2 Key points relating to the External Audit Plan for the year ended 31st March 2022 are as follows:

2.2.1. Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of those subsidiaries it considers material.

Consideration of Group components can be seen on page 5 of the attached report.

2.2.2. Significant risks

These are those risks requiring special audit consideration and procedures to
address the likelihood of a material financial statement error have been
identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation of net pension fund liability

Significant findings on these areas as well as any other significant matters arising from the audit will be reported to this committee in the Audit Findings (ISA 260) Report.

2.2.3. Materiality for the audit

Planning materiality has been set at £9m for the Group and £8.9m for the for the Council, which equates to approximately 1.4% of the Council's prior year gross expenditure. Grant Thornton are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £450k.

2.3.4. Value for Money arrangements

The initial risk assessment regarding the Council's arrangements to secure value for money has not yet been completed. This will be reported as part of External Audit progress updates.

2.3.5. Audit logistics

The interim visit took place in March and April 2022 and the final accounts audit work started in July 2022. The key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

3. Decisions

3.1 It is recommended that Members:

A. Receive and comment on this report and the attached External Audit Plan 2021/22

4. Risk Assessment and Opportunities Appraisal

4.1. The Council has in place an effective Counter Fraud, Bribery and Anti-Corruption Strategy. The Council proactively encourages the detection of fraud and irregularities and the appropriate management of them. The Whistleblowing policies contribute to our zero tolerance of fraud, bribery and corruption.

4.2. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

5. Financial Implications

5.1. External audit fees of £176,811 are detailed within the report alongside associated non-audit fees of £31,100.

5.2 Funding for the fees listed is provided for within the Council's budget.

6. Climate Change Appraisal

6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. Therefore, no effect.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Brian Williams, Chair of Audit Committee
Local Member All
Appendices 1. Shropshire Council Audit Plan, Year Ending 31 March 2022

Shropshire Council audit plan

Year ending 31 March 2022

September 2022

Contents

Your key Grant Thornton team members are:

Grant Patterson
Key Audit Partner
T 0121 232 5296
E grant.b.patterson@uk.gt.com

Mary Wren
Audit Manager
T 0121 232 5254
E mary.wren@uk.gt.com

Lya Hall
Assistant Manager
T 0121 232 8788
E lya.hall@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

Factors

Financial position

The whole local government sector faces pressure owing to cuts, funding pressures, inflation and rising energy costs, alongside growing demand for council services. An example of this increase in demand being the number of children in care in April 2022 was 53 per cent higher than in April 2020 and is up 21% year on year.

The Council's 2021/22 outturn report presented to Cabinet on 6th July 2022 is an overspend of £2.505m, this was an improvement of £1.841m when compared with projections made at Quarter 3. 62% of the Council's £9.8 million savings required have been delivered for 2021/22. £3.750m of savings have not been achieved with £2.039m being carried forward into 2022/23.

The Council's first quarterly monitoring report of 2022/23 highlighted that inflation is adding an extra £5 million to the costs of running services; while extra demand for council services, which is also predicted to increase further as more people face cost of living pressures, is adding almost another £7 million. The Council is also no longer receiving any money from Government to offset the impacts of the pandemic.

This, coupled with growing costs in children's social care in particular, is forcing the predicted overspend on 2022/23 up between its best case scenario of £4.1m and worst case of £18.8 million.

The Council is continually reviewing all budget options in light of these unprecedented financial and operational pressures.

Capital strategy

In 2021/22 the Council's capital programme was reduced significantly from £150.1 million to £83.6 million (reduction of £66.5 million). The Council has reprofiled this expenditure to reflect latest information and the anticipated delivery of capital schemes. The current capital programme is heavily reliant on the Council generating capital receipts to finance the capital programme. The Council has recognised and reported a high level of risk in these projections as they are subject to changes in property and land values, the actions of potential buyers and being granted planning permission on sites. risk of slippage.

Recovery from Covid 19 pandemic

The Council has received central funding and has been administering support grants in 2021/22. The majority of funding is not ringfenced and can be recognised as income when received. Additionally, the Council has responded well to remote working and has been agile in delivering services, diverting office staff to frontline services where required. Internal controls have not changed significantly in relation to the business processes that feed into the financial statements. Management continue to factor in COVID-19 income and expenditure into budgets and cash flow forecasts.

It continues to have a grip on costs arising, as well as income received, that is both directly and indirectly related to COVID-19, which will be key in any determining any future budget strategies and service delivery decisions, as society learns to live with the ongoing impacts of the pandemic.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been discussed with the S151 Officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Shropshire Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Shropshire Council. *We draw* your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of those subsidiaries it considers material. Consideration of Group components can be seen on page 8.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £9.0 million (PY £9.0 million) for the group and £8.9m (PY £8.8m) for the Council, which equates to 1.4% of your prior year] gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £450k (PY £435k).

Value for Money arrangements

We have not yet undertaken our planning assessment pending completion of our 2020/21 audit, and therefore cannot formally confirm the risks we will be considering.

We will report our 2020/21 Value for Money findings as part of the Auditor's Annual Report. Following this we will report the results of our planning considerations for 2021/22 to the Audit Committee.

Audit logistics

Our planning work has taken place during March and April and our final visit started 1st July 2022. Draft accounts were provided on 21st July 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit has not yet been confirmed (PY: £167k) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Shropshire Council	Yes		See section 4 of this report	Full scope UK statutory audit performed by Grant Thornton UK LLP
Shropshire Towns and Rural (STaR) Housing Ltd	No		None	Analytical review performed by Grant Thornton UK LLP.
West Mercia Energy	No		None	Analytical review performed by Grant Thornton UK LLP.
Cornovii Developments Limited	No		None	Analytical review performed by Grant Thornton UK LLP.
West Mercia Energy (Pension)	No		None	Analytical review performed by Grant Thornton UK LLP.
SCC No 1 Limited	No		None	Analytical review performed by Grant Thornton UK LLP

Key changes within the group:

We are not aware of any significant changes during 2021/22. We will however report changes should any be identified.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Presumed risk of fraud in revenue recognition ISA (UK) 240	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Shropshire Council and its subsidiaries mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Council.	Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's revenue streams, as they are material. We will: Accounting policies and systems • evaluate the Council's accounting policies for recognition of income for its various income streams and compliance with the CIPFA Code • update our understanding of the Council's business processes associated with accounting for income Fees, charges and other service income • Agree, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. Taxation and non-specific grant income • Income for national nan-domestic rates and council tax is predicable and therefore we will conduct substantive analytical procedures • For other grants we will sample test items back to supporting information and subsequent receipt, considering accounting treatment where appropriate We will also design tests to address the risk that income has been understated, by not being recognised in the current financial year .
Risk of fraud related to expenditure recognition PAF Practice Note 10	In line with the Public Audit forum Practice Note 10 (PN10), in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatement due to fraud related to revenue recognition. Having considered the nature of the expenditure of the expenditure streams of Shropshire Council, and on the same basis as set out above for revenue, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.	Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's expenditure streams, as they are material. We will: Expenditure • update our understanding of the Council's business processes associated with accounting for expenditure • evaluate the Council's accounting policies for recognition of expenditure for its various material expenditure streams and compliance with the CIPFA Code • agree, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence We will also design tests to address the risk that expenditure has been overstated, by not being recognised in the current financial year – see page 12

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls Risk relates to Group and Council	Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: • Evaluate the design effectiveness of management controls over journals; • Analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gain on understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence: and • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and Buildings [PPE] Risk relates to Group and Council	The Council re-values its land and buildings on a five-yearly basis. Assets were subject to a full or Desktop valuation in 2021/22. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation/ requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£405m relating to Other land and Buildings and £224m relating to Council Dwellings) and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work: • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write to the value to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • Challenge the information and assumptions used by the value to assess completeness and consistency with our understanding; • Engage our own valuer to assess the instructions issued by the Council to its valuer, the scope of the Council's valuer's work, the Council's valuer's reports and the assumptions that underpin the valuations; • Test revaluations made during the year to see if they had been input correctly into the Council's asset register; • Evaluate the assumptions made by management for those assets not revalued during the year end how management have satisfied themselves that these are not materially different from current value at year end . Such procedures will also be required in relation to those assets which have been valued during the year but not as at the year-end, as we will need to be assured that there is no material difference between the valuation date and the balance sheet date.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability Risk relates to Group and Council	The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund liability is considered a significant estimate due to the size of the numbers involved (£507m at 31 March 2002 and £532m as at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatements.	We will: • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert {an actuary) for this estimate and the scope of the actuary's work: • Assess the competence, capabilities and objectivity of the actuary who carried our the Council's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert] and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Shropshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

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Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Operating Expenses Risk relates to Group and Council	Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We therefore identified completeness of non-pay expenses as a risk requiring particular audit attention. We are also applying specific focus to the occurrence of expenditure and existence of payables, to mitigate the risk that expenditure has been overstated to take advantage of the additional funding which has been available to the Council during the 2021/22 financial year as a result of the pandemic.	We will: • evaluate the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness • gain an understanding of the Council's system for accounting for non-pay expenditure • test a sample of balances included within trade and other payables • test a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period • test a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period.
Infrastructure assets Risk relates to Group and Council	The CIPFA Code of Practice on Local Authority Accounting prescribes the accounting treatment and disclosure requirements for infrastructure assets. The code requires infrastructure to be reported in the Balance Sheet at historic cost less accumulated depreciation and impairment. The code requires a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. These requirements of the Code derived from IAS 16 property, Plant and Equipment. The Council has material infrastructure assets and there could therefore be a potential risk of material misstatement related to this balance.	In order to be able to conclude whether there is a risk of material misstatement we will: • Assess risks of material misstatement related to infrastructure assets • Update our understanding of the process to explain the Council's current approach to capitalisation, derecognition and depreciation of infrastructure assets and how it complies with the Council's fixed asset register to confirm that the processes are being applied in practice • For a sample of assets or additional to infrastructure, we will enquire as to the basis of the asset life and conclude on whether this is reasonable and correctly factored into depreciation calculations.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures which* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

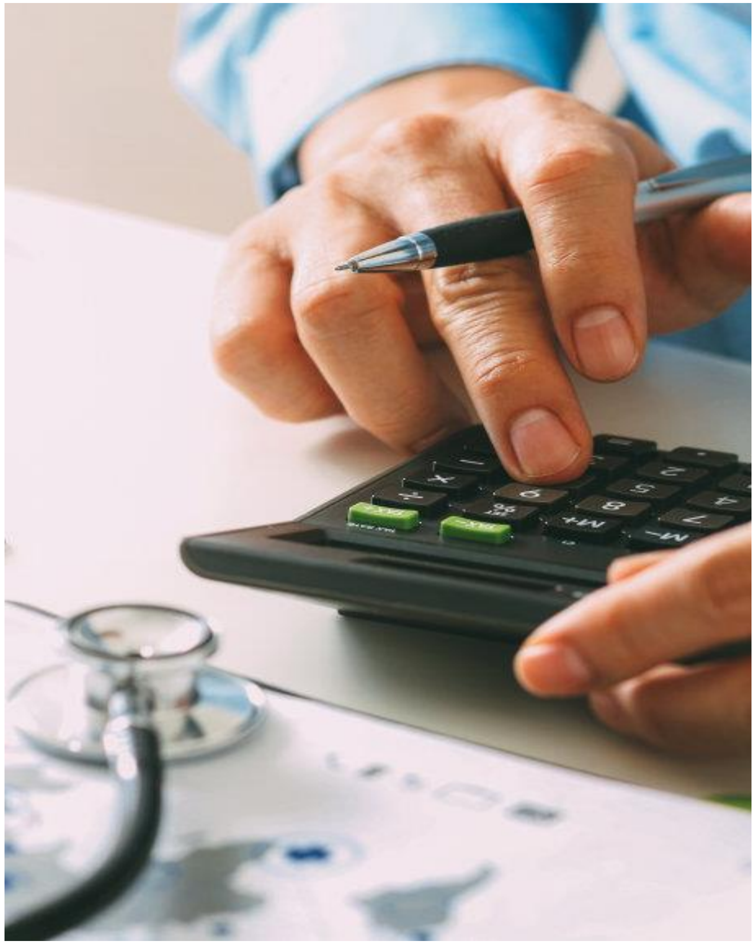
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Valuations of investment properties
- Estimated Remaining Useful Lives of PP&E
- Depreciation
- Significant non-invoice based accruals
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Impairment of receivables – Collection fund receivables

The Council's Information systems

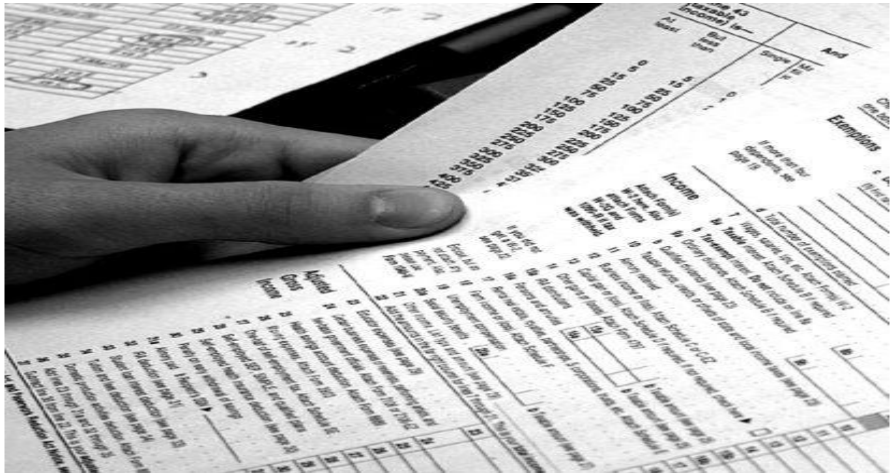
In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainly is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management via our Informing the Risk Assessment report which we use as a vehicle for updating our understanding of the Council's control framework. We will present this as a separate report and ask the committee to review and approve the report to ensure we have a consistent understanding of the Council's arrangements.

We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

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Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

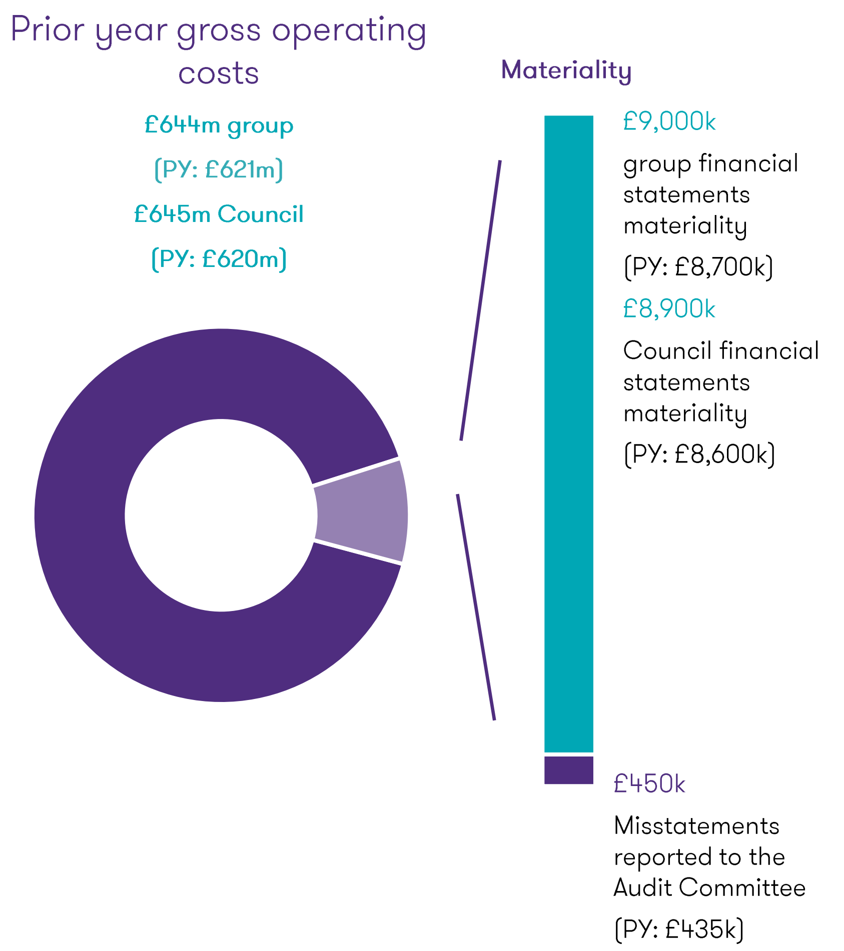
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £9,000k (PY £8,700k) for the group and £8,900k (PY £8,600k) for the Council, which equates to 1.4% of your forecast gross expenditure for the year. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts. As such, we have not set a level of materiality in relation to senior officer remuneration as disclosures will be tested fully.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £450k (PY £435k) for both the Council and the group.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Audit logistics and team

Planning and risk assessment

Interim audit
April 2022

Audit Committee
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Interim Progress Report

Audit Committee
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Audit Plan

Year end audit
August – November 2022

Audit Committee
November 2022
Audit Findings Report and Audit Opinion

Audit Committee
January 2023
Auditor's Annual Report

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Grant Patterson, Key Audit Partner

Grant leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained with a commitment to add value to the Council.

Mary Wren, Audit Manager

As the engagement manager, Mary is responsible for overseeing delivery of our service and manging the audit process in respect of the Council. She will be in hand to answer any queries, whilst ensuring an efficient audit process.

Lya Hall, Audit Incharge

Lya will work with relevant officers and our operational team to ensure the smooth planning and delivery of the audits. She will oversee the day to day running of the audit and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

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In 2018, PSAA awarded a contract of audit for Shropshire Council to begin with effect from 2018/19. The fee agreed in the contract (scale fee) was £103,061. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. [We have engaged an audit expert to improve the level of assurance we require for {add details e.g. property valuations estimates}, which has been included in our proposed audit fee.] Our proposed work and fee for 2021/22, as set out below, is detailed overleaf and has been discussed with the Director of Finance.

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Audit fees	Proposed fee 2020/21	Actual fee 2020/21	Proposed fee 2021/22
Council Audit	£167,061	£167,061	£166,811*
Audit of subsidiary company - Shropshire Towns and Rural (STaR) Housing Ltd	£19,000	£19,000	£19,500
Total audit fees (excluding VAT)	**£186,061**	**£186,061**	**£186,311**
Non-audit services (page 18)	£31,100	£31,100	£34,700
TOTAL	£216,061	£216,061	£221,011

There are a number of objections in progress relating to the Council. Fees are charged on a time basis plus any costs for professional advice sought by us, for example legal costs. These will be reported as part of our ongoing reporting to the Audit Committee.

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements , supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.
- * currently our fee anticipates being able to deliver the audit either on site on in a hybrid manner involving some on-site work. If we have to deliver the audit fully remotely our experience is that this takes longer. We would be proposing a further fee variation of £10,000 in these circumstances

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

Other services provided by Grant Thornton UK LLP have been identified, as set out on the next page.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

4. Independence and ethics

Audit related	Fees £	Threats identified	Safeguards
2021/22 Certification of Housing capital receipts grant	5,000 (expected)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is anticipated to be £5,000 in comparison to the total fee for the audit of £167,061 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
2021/22 Certification of Teachers Pension Return	7,500 (expected)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £167,061 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
2020/21 Certification of Housing Benefit Claim	22,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is anticipated to be £22,200 in comparison to the total fee for the audit of £167,061 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
(We are currently discussing the 2021/22 HBAP fee with the Council.)		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Total	£34,700		

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations

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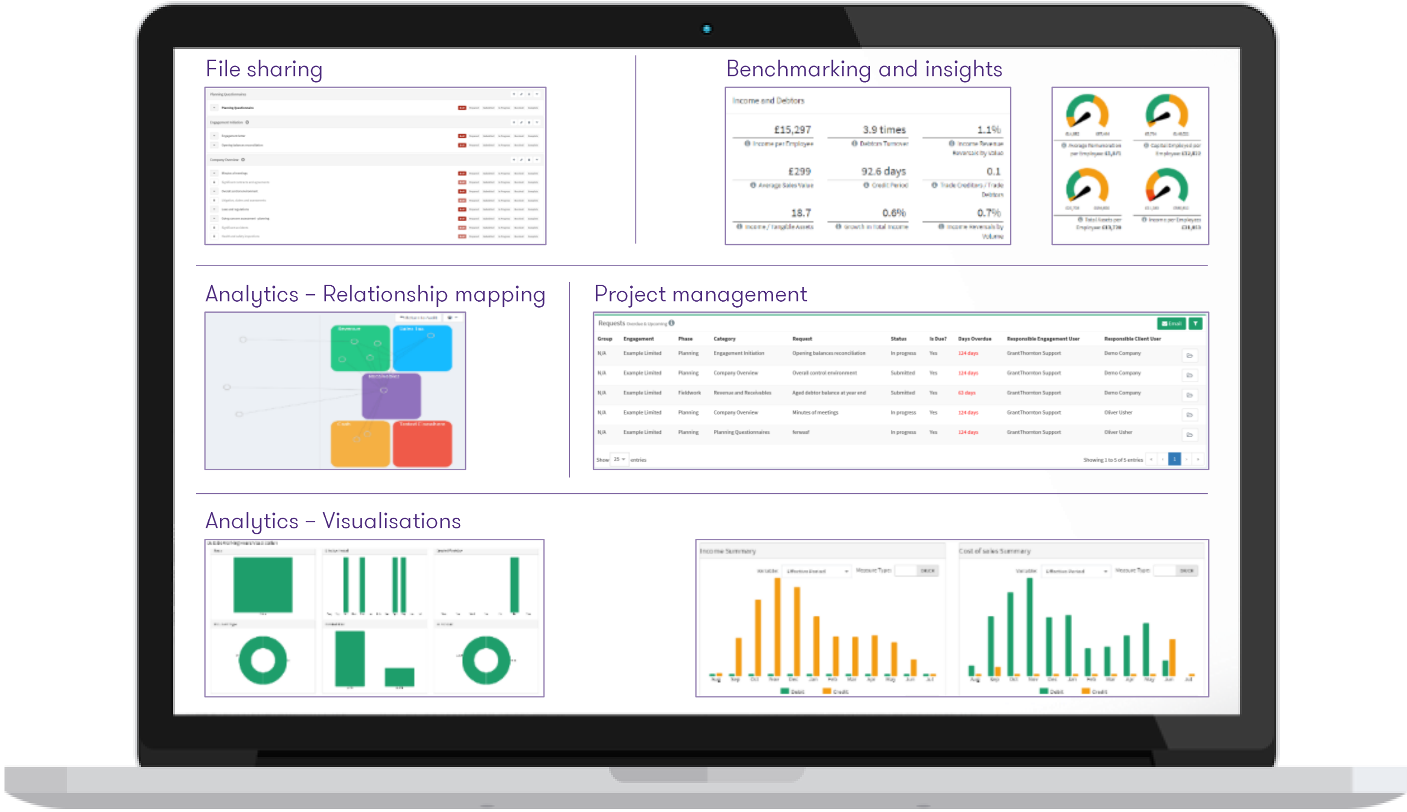

Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data

File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work

Project management

- Facilitates oversight of requests
- Access to a live request list at all times

Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection	More time for you to perform the day job
Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders. Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance. Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.	Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us. Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced. We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments. We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined. Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

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Shropshire Council

Committee and Date	Item
Audit Committee	Public

Third line assurance: External Audit: Informing the Audit Risk Assessment

Responsible Officer James Walton
e-mail: James.walton@shropshire.gov.uk Tel: 01743 258915

1. Synopsis

This paper provides the Audit Committee with a report on progress by Grant Thornton in delivering their responsibilities as Shropshire Council's external auditors.

2. Executive Summary

2.1 The purpose of this report is to contribute towards the effective two-way communication between Shropshire Council's external auditors and the Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where Grant Thornton are required to make inquiries of the Audit Committee under auditing standards.

2.2 Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

2.3 This two-way communication assists both Grant Thornton and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

2.4 Key areas covered within this report are as follows :

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

2.5 The report includes a series of questions on each of these areas and the response Grant Thornton has received from Shropshire Council's management.

2.6 The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

3. Recommendations

3.1 It is recommended that Members:

A. Receive and comment on this report and the attached Informing the Audit Risk Assessment document.

4. Risk Assessment and Opportunities Appraisal

4.1 Details of the risk assessment undertaken and significant risks identified are contained within the attached Informing the Audit Risk Assessment

5. Financial Implications

5.1. External Audit fees of £167,061 are detailed in the Audit Plan alongside associated non-audit fees of £21,100. The Audit Fees are based upon scale fees published by PSAA.

5.2. Funding for the fees listed is provided for within the Council's budget.

6. Climate Change Appraisal

6.1. There are no direct implications for Climate Change contained within this cover report or attached documents.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) Brian Williams, Chair of Audit Committee
Local Member All
Appendices 1. Informing the Audit Risk Assessment

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Informing the audit risk assessment for Shropshire Council 2021/22

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Shropshire Council's external auditors and Shropshire Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Shropshire Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	The COVID pandemic is now becoming something that the country learns to live with, however following that we have had cost of living crises which have been exacerbated by the Ukrainian war. The impact of these events will impact on inflation throughout the accounts, particularly where inflation impacts the level of assets and liabilities quoted, e.g. the level of the Pension Fund. Also this may impact on the debtor levels as businesses and residents struggle to pay debtor accounts as at the end of the financial year.
2. Have you considered the appropriateness of the accounting policies adopted by Shropshire Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The accounting policies are reviewed annually. We are considering an amendment to the accounting policy for infrastructure assets, however this is dependent on new guidance due to be released from CIPFA.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Council holds financial assets and liabilities in the general running of the Council but does not use derivatives
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

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General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No, all impairments that we are aware of will be reflected in the Draft Statement of Accounts.
6. Are you aware of any guarantee contracts? If so, please provide further details	No new guarantee contracts have been provided in 2020/21.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	Contingent liabilities that the Council is aware of will be detailed within the Draft Statement of Accounts. No further contingencies or un-asserted claims have been identified.

General Enquiries of Management

Question	Management response
8. Other than in house solicitors, can you provide details of those solicitors utilised by Shropshire Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Sharpe Pritchard Anthony Collins Gowlings Freeths Browne Jacobsen Geldards Trowers and Hamlin Bevan Brittan Leonie Cowan and Associates Setfords *There are a number of legal cases outstanding that may result in future costs for the Council. These include:* *Employment tribunal claim- this has been concluded in the employment tribunal (in the Council's favour) but there may be the possibility of an appeal so it may be prudent to leave this on the list as it is a substantial claim.* *Planning Inquiries ongoing – there will always be planning inquiries arising.* *Potential planning enforcement cases where there is the possibility that we will need to do the works and try to recover the costs. This is the Brambles - which is ongoing* *Potential planning litigation –claim for damages – this has now arisen again and we may seek an injunction. Risk of non recovery of the costs still remains.*
9. Have any of the Shropshire Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	None identified.

Grant Thornton

General Enquiries of Management

Question	Management response
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council has sought out general advice for a variety of service areas over the course of the year which will include general advice specifically around capital programme schemes.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	The Council recognises expected credit losses on all of its financial assets held at amortised cost. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations, For trade receivables we apply the simplified approach and recognise lifetime losses.

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Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Shropshire Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Shropshire Council's management.

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Fraud risk assessment

Question	Management response
1. Has Shropshire Council assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the Council's risk management processes link to financial reporting?	Fraud risks are identified by Internal audit in their audit plan, and fundamental systems which feed the statement of accounts are reviewed on a risk basis to ensure that controls in place are satisfactory. The statement of accounts is also subject to an analytical review each year which considers any significant or material changes to figures, to confirm that the accounts are presented without such misstatements.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Counter fraud risk assessment reported to Audit Committee February 2022 listed the following areas as high and medium High • Housing benefits • Cybercrime Medium • Payroll, fraudulent travel, expense, overtime and timesheets • Pension continues after death • Employee commits benefit fraud • Inappropriate and incorrect contract awards • False invoicing • Debtors; claiming false exemptions, failing to raise a debt, suppressing recovery action • Housing applications for financial assistance with repairs, homelessness and lettings • Council tax discounts and NDR reliefs • Parking abuse including blue badge use/disabled parking • Direct payments / personal budgets • Property and taxi licenses • Schools diversion of resources

Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Shropshire Council as a whole, or within specific departments since 1 April 2021? If so, please provide details	Yes, but not of a material nature and levels are very low, all are investigated and outcomes reported to Audit Committee regularly. Directors receive a quarterly briefing which also outlines the internal controls required for improvement as a learning from any such allegations once investigated.
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	System managers receive a report directly and sign up to implementing internal control improvements within an agreed timeframe
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Shropshire Council where fraud is more likely to occur?	See 2 above.
6. What processes do Shropshire Council have in place to identify and respond to risks of fraud?	• Risk assessment • Vigilant staff with regular training accessible on an electronic system • Reminders to staff • Regular updates to managers and members regarding learning from investigations • Networking with other key counter fraud bodies and organisations • Counter fraud work in internal audit and other parts of the organisation • Counter fraud, anti-bribery and corruption strategy and practices • Full details available in annual Audit Committee report on Counter fraud and anti-corruption strategy, latest February 2022

Grant Thornton

Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for Shropshire Council, including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	Internal Audit sets a risk assessed programme annually identifying the key areas for review and the need for assurance. Covid saw the Audit plans regularly revisited and resources redeployed to help design and deliver processes and activity in response to Covid which provided a level of assurance as to the Council's management of the situation. High risk areas not subject to audit were identified to enable senior management and members to gather and seek direct assurance as necessary. Audit Committee undertakes a regular self-assessment, challenged by officers and External Audit, and undertakes regular training sessions based on the identification of areas for improvement and key risks and fundamental knowledge-based needs; assurances on the response to Covid were a feature of these. Over the year service managers have been required to attend Audit Committee to provide assurance not otherwise secured on their control and risk management environment. Based on the Internal Audit work, support to the Council in responding to the COVID pandemic and management responses received; the Head of Audit reports limited assurance for the 2021/22 year on the Council's framework for governance, risk management and internal control. She reported that there are a continuing and increased number of high and medium risk rated weaknesses identified in key individual assignments that are significant in aggregate but where discrete parts of the system of internal control remain unaffected. Management of Coronavirus has introduced unprecedented pressures and responses, and this inevitably has impacted on her opinion. Managers' priorities have been diverted to business continuity pressures and this has removed capacity to plan and deliver improvements to known internal control processes, leading to maintained and increased risks in some areas that may impact on delivery of the Council's objectives. The year has continued to be challenging with the embedding of key fundamental line of business systems (financial and human resources), changes of key managerial posts, alongside a challenge to deliver savings, increase income and respond to changing Coronavirus pressures, at times on a daily and weekly basis

Fraud risk assessment

Question	Management response
8. Are there any areas where there is potential for misreporting? If so, please provide details	Not aware of any.
9. How does Shropshire Council communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	The Council shares the whistleblowing policy with the public and all contractors. The terms and conditions within Council contracts also include ethical considerations for contractors and suppliers. The vision and values for the Council identify the need for staff to act with integrity in all the undertakings we make and this is tested and reviewed via team meetings and engagement surveys undertaken across the whole organisation. Staff are encouraged to report their concerns about fraud as set out in the Speaking up about wrongdoing (whistleblowing) policy and the Council's Counter Fraud, Bribery and Anti-Corruption Strategy. No significant issues have been reported.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Posts are risk assessed by service areas with the support of HR and where identified as politically restricted, or requiring DBA checks comply with approved processes. Systems and processes are designed with separation of duties; access controls; recruitment checks, training and induction plans, etc. to ensure that risks are minimised and managed regardless of the post holder.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No. Potential conflicts of interest are declared at public and private meetings. Officers in specialist roles also declare any conflicts to ensure their work programmes can be planned around these. Employee and Member Codes of Conduct specify clear processes for this.

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Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	Potential fraud risks are assessed across the Council and activities in place to mitigate these. These are reported annually to the November/ December Audit Committee. In addition, every Committee meeting has an update report on frauds, special investigations and RIPA activity in which the internal controls that led to the activity are considered and reported upon. Managers receive reports and agree to implementing improvements to reduce the opportunity for repeat frauds, etc going forward therefore improving the control environment.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Any complaints of this nature are dealt with under the approved policy and the outcome is reported to the Monitoring Officer and Audit Committee.
14. Have any reports been made under the Bribery Act? If so, please provide details	No.

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Shropshire Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Shropshire Council have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	Each year the Council's corporate governance arrangements and risk management arrangements are reviewed and reported upon by Internal Audit and Risk Management teams. The Council has a robust corporate governance and risk management process in place. The Council has a Monitoring Officer and Section 151 Officer who provide assurance that all relevant laws and regulations have been complied with. Also all Cabinet reports now have a standard section detailing any legislative issues. Any non compliance is reported to management via Internal Audit reports and appropriate plans are put in place to remedy such issues.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	All reports on the Council's corporate governance arrangements are presented to Audit Committee to provide assurance that the appropriate arrangements are in place and that they are working well.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	The Section 151 Officer is not aware of any instances of non-compliance with relevant laws and regulations in 2021/22.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	The Section 151 Officer is not aware of any actual or potential litigation or claims that would affect the financial statements.

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Impact of laws and regulations

Question	Management response
5. What arrangements does Shropshire Council have in place to identify, evaluate and account for litigation or claims?	Risk management, insurance and legal work together to identify and evaluate any potential litigation or claims against the Council. Any potential liabilities are highlighted each year in the Council's Statement of Accounts.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No such reports have been received.

Related Parties

Matters in relation to Related Parties

Shropshire Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Shropshire Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in Shropshire Council's 2020/21 financial statements? If so please summarise: • the nature of the relationship between these related parties and Shropshire Council • whether Shropshire Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	Shropshire Council no longer has a relationship with IP&E as it was closed down in 2020/21 and is no longer in existence. There are no other changes to the Council's related parties. A review of the Register of interests for Members and staff is pending.
2. What controls does Shropshire Council have in place to identify, account for and disclose related party transactions and relationships?	A number of arrangements are in place for identifying the nature of a related party and reported value including: • Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions. • Annual return from senior managers/officers and members requiring confirmation that they read and understood the declaration requirements and stating details of any known related party interests. The Council's related parties include Central Government; organisations on which it is represented by members including West Mercia Energy and Shropshire Fire and Rescue Service; and entities which are controlled or significantly influenced by the Authority which includes, Cornovii Developments Limited, SSC No.1 Ltd, Jersey Property Unit Trusts for the Shrewsbury Shopping Centres, the Shropshire County Pension Fund and Shropshire Towns and Rural Housing.
3. What controls are in place to authorise and approve significant transactions, arrangements with related parties and transactions outside of the normal course of business?	All significant transactions will be subject to appropriate approval and scrutiny in accordance with the authorisation requirements of the Financial Rules.

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Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Shropshire Council will no longer continue?	Management regularly review operational risks to highlight any issues with providing statutory services. Risks are an area that are discussed regularly at DMTs and so this would be an opportunity for Directorates to highlight and discuss any particular issues with provision of services, and flag accordingly to EMT.
2. Are management aware of any factors which may mean for Shropshire Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None identified
3. With regard to the statutory services currently provided by Shropshire Council, does Shropshire Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Shropshire Council to cease to exist?	Yes
4. Are management satisfied that the financial reporting framework permits Shropshire Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	• Property, Plant and Equipment valuations including investment properties • Pensions Liability • Fair Value Measurements • Accruals • Debt Impairment • NDR Appeals Provision
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Operational risk registers will consider such risks.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The process to calculate estimates is reviewed annually. This review includes establishing the methodology, basis for assumptions and the source data required. The methodology and assumptions are reviewed to ensure they are still accurate and are updated if required. All of this is done in reference to the Code and other prevailing guidance.
4. How do management review the outcomes of previous accounting estimates?	Any changes in accounting estimates between years are investigated to determine the underlying reasons and then taken into consideration for future estimates.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	The estimation processes are reviewed annually and updated to take account of current circumstances e.g. the impact of covid-19. GF valuations have been commissioned externally this year.

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Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Where accounting estimates are required for classes of assets which relate to material assumptions specialist knowledge is obtained. For example in the case of using qualified valuers to carry out PPE valuations.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Where we use external expertise we consider the appropriateness of their qualifications and extent of their expertise. All data provided is reviewed and checked for consistency and accuracy. In relation to PPE valuations a significant exercise is undertaken to check for anomalies and outliers that might indicate an issue with the data. Terms of Engagement issued by the Valuer in commissioning the valuations. Review of externally provided valuations by Estates based on their professional knowledge and of the assets and from Finance on an analytical review basis of movements from last valuations and across groups of assets. Narrative provided by Valuers on reasons for significant valuation swings.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Property numbers and classifications are agreed by Strategic Management Accounting and ST&RH assets staff prior to providing data to DVS for valuation. DVS valuations and reports are subjected to review by the Lead Valuer and subject to internal sign off before the report is released. Once received the reports are subject to review by Strategic Management Accounting, both in terms of reconciling the asset numbers and total valuation back to the total of the property data and analytical review of any movements. If any are significant or out of sync with other movements, these are queried with the Valuers to understand the reasons for the movements. Local property indices are also viewed (once available) to ensure movements are broadly in line with these, excepting there will be variations, both geographically and specific to the type of properties. Where there are any differences in movements, the Valuers are asked for further commentary as to the reasons for the differences.

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Accounting Estimates - General Enquiries of Management

Question	Management response
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	The Finance Team carries out detailed work to derive or review externally provided estimates. Significant estimates are discussed with the S.151 officer during the drafting. The Audit Committee is briefed on the process and they oversee the presentation and publication of the financial statements.
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are reviewed annually and external advisors are used to provide assurance around the significant estimates used.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The accounting policies and notes included in the Statement of Accounts provide information. External Audit provide assurance.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
General Fund Assets	Valuations are undertaken by qualified valuers in accordance with the requirements of the CIPFA Code of Practice of Practice on local Authority, IFRS standards and RICS Global Standards. Assets are valued using the directed method for the classifications of asset. A full valuation is undertaken at least every 5 years, but usually within 3 years and a desktop valuation exercise annually to update the valuations to the balance sheet date in the intervening years. Assets within the same category (categorised based on use) are revalued simultaneously to avoid selective revaluation of assets. Estates and Finance evaluate if there have been any specific changes e.g. change of use, Council Policy or external factor(s), in year that may result in the requirement to review and update the existing full asset valuation(s) for an individual asset or category of assets (where not subject to full valuation in year). The capital programme is also reviewed for additions or significant revaluations that would result in the requirement for new valuations.	Asset list and classifications agreed between Estates and Finance based on CIPFA Code of Practice on Local Authority Accounting requirements and latest property information. Montagu Evans operates a partner review system for all valuations and the report will be jointly signed by the author and reviewer. Once issued Montagu Evans report is reviewed by Estates Team Leader and Senior Estates Surveyor, whom are RICS Registered Valuer. This review is based on their profession knowledge and knowledge of the assets and local market. As part of updating the FAR for the new valuations contained in the Valuation Report, the Strategic Management Accountant will undertake checks to ensure the data is complete and also analytical review checks to compare to previous valuations and movements in valuations for assets in the same classification to ensure they are consistent. Any significant variances from previous valuations, expectations or between assets, are queried and discussed with the Valuers.	Yes, external valuer used	Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time. Valuations are a mixture of Full Valuations and desktop indexation valuations to update previous valuations to 31st March 2022. The personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards and are RICS Registered Valuers. These are provided based on the latest information available to the Valuers e.g. market information or indices, at the point of valuation. In the Statement of Accounts we assess the financial implications of a 1% movement in the valuations.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	The Beacon Valuation approach is used for the valuation of the Council dwellings, which is the approach instructed in the DCLG guidance . A full valuation is undertaken every 5 years and a desktop valuation exercise annually to update the valuations to the balance sheet date.	Property numbers and classifications are agreed by Strategic Management Accounting and ST&RH assets staff prior to providing data to DVS for valuation, including verification against additions and disposals data. DVS valuations and report are subjected to review by the Leader Valuer and subject to internal sign off before the report is released. Once received the reports is subject to review by Strategic Management Accounting, both in terms of reconciling the asset numbers and total valuation back to total the property data and analytical review of any movements, which if any are significant or out of synch with other movements, these are queries with the valuers for the reason for the movements. Local property indices are also viewed (once available) to ensure movements are broadly in line with these, excepting there will be variations, both geographically and specific to the type of properties. Where there are any differences in movements, the Valuers are asked for further commentary as to the reasons for the differences.	Yes, external valuer used	Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time. Valuations are based on desktop valuations to 31st March carried out by Property Specialists for the Public Sector. These are done by assessment of the Beacon properties based on recent and relevant market based evidence of comparative properties to ensure a sound estimation. In the statement of accounts we assess the financial implications of a 1% movement in the valuations.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Investment property	Valuations are undertaken by qualified valuers in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting, IFRS standards and RICS Global Standards. Assets are valued using the directed method for the classifications of asset. As Investment Properties are valued on a Market Value (MV) basis, these are subject to annual review and assessment to ensure the valuation reflects current value at the balance sheet date. They are not subject to indexations as was not felt an appropriate methods for this group of assets.	Asset list and classifications agreed between Estates and Finance based on CIPFA Code of Practice on Local Authority Accounting requirements and latest property information. Montagu Evans operates a partner review system for all valuations and the report will be jointly signed by the author and reviewer. Once issued Montagu Evans report is reviewed by Estates Team Leader and Senior Estates Surveyor, whom are RICS Registered Valuer. This review is based on their profession knowledge and knowledge of the assets and local market. As part of updating the FAR for the new valuations contained in the Valuation Report, the Strategic Management Accountant will undertake checks to ensure the data is complete and also analytical review checks to compare to previous valuations and movements in valuations for assets in the same classification to ensure they are consistent. Any significant variances from previous valuations, expectations or between assets, are queried and discussed with the Valuers.	Yes, external valuer used	Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time. Valuations are based on desktop valuations to 31st March carried out by Property Specialists for the Public Sector. These are done by assessment of the Beacon properties based on recent and relevant market based evidence of comparative properties to ensure a sound estimation. In the statement of accounts we assess the financial implications of a 1% movement in the valuations.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PPE useful lives	Property Assets: Valuations are undertaken by qualified valuers in accordance with the requirements of the CIPFA Code of Practice of Practice on local Authority, IFRS standards and RICS Global Standards. Assets are valued using the directed method for the classifications of asset. A full valuation is undertaken at least every 5 years, but usually within 3 years and a desktop valuation exercise annually to update the valuations to the balance sheet date in the intervening years. Assets within the same category (categorised based on use) are revalued simultaneously to avoid selective revaluation of assets. Estates and Finance evaluate if there have been any specific changes e.g. change of use, Council Policy or external factor(s), in year that may result in the requirement to review and update the existing full asset valuation(s) for an individual asset or category of assets (where not subject to full valuation in year). The capital programme is also reviewed for additions or significant revaluations that would result in the requirement for new valuations. Plant & Equipment: An assessment is made of asset life at the point of capitalisation in accordance with the Council's accounting policies.	Asset list and classifications agreed between Estates and Finance based on CIPFA Code of Practice on Local Authority Accounting requirements and latest property information. Montagu Evans operates a partner review system for all valuations and the report will be jointly signed by the author and reviewer. Once issued Montagu Evans report is reviewed by Estates Team Leader and Senior Estates Surveyor, whom are RICS Registered Valuer. This review is based on their profession knowledge and knowledge of the assets and local market. As part of updating the FAR for the new valuations contained in the Valuation Report, the Strategic Management Accountant will undertake checks to ensure the data is complete and also analytical review checks to compare to previous valuations and movements in valuations for assets in the same classification to ensure they are consistent. Any significant variances from previous valuations, expectations or between assets, are queried and discussed with the Valuers.	Yes, external valuer used	Due to requirement for valuations to be completed by early April with valuation date of 31st March, Valuations are based on the latest valuation information available at that point in time. Valuations are a mixture of Full Valuations and desktop indexation valuations to update previous valuations to 31st March 2022. The personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation Standards and are RICS Registered Valuers. These are provided based on the latest information available to the Valuers e.g. market information or indices, at the point of valuation. In the Statement of Accounts we assess the financial implications of a 1% movement in the valuations.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation	Depreciation methods are set based on the requirements of the CIPFA Code of Practice on Local Authority Accounting. Anticipated change to asset lives for depreciation charges for infrastructure in 2021/22, including revisions to asset lives applied to previous year expenditure; subject to updated CIPFA guidance.	Processes are in place to review the valuation information provided by the valuers	Yes, external valuer used	This is considered by the Valuers as part of arriving at the estimations of remaining asset lives. Management review the estimations of asset lives provided the valuers and the impact of movements in these assumptions on the estimates.	No
Pension liability	An actuary is engaged to calculate the pension liability based on a set of complex judgements.	Management are provided with the assumptions for review prior to the calculation being performed and challenge if needed. The calculation provided by the actuary is reviewed by the Treasury and Finance Team to confirm accuracy based on the information provided to them and the movements in the liability based on the analysis provided.	Yes, actuary used	The actuary provides sensitivity analysis on a range of assumptions including the rate of inflation and the rate of increase in salaries. Details of these are disclosed in the financial statements.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Significant accruals	Accruals for income and expenditure are often based on known values. Where estimates are used they are based on the latest information available and service specific knowledge.	Accruals are reviewed by management to monitor the methods and assumptions used to calculate the estimates. Management review the budget monitoring position throughout the year and the outturn position to identify accruals required and the basis for the accruals.	No	The accrual working papers reviewed by management require confirmation if the accrual is based on an estimate and supporting documents provided to evidence the methodology used. The total value of estimated accruals is calculated and a sensitivity analysis carried out to establish the potential variance.	No
Bad debt provisions	The method used takes into account the age profile of the debt and likelihood of collection. This is reviewed by management.	The calculation of bad debt provision is reviewed during the course of the year, and aged debt reports are now made available to FBPs and management to make them aware of likely impact that this may have on the bad debt provision.	No	The calculation is reviewed using different assumptions to assess the uncertainty and sensitivity of the estimate to changes in the assumptions	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value of loans	A Treasury Advisor is engaged to calculate the Fair Value of loans and selects the methodology and assumptions to be used in line with the code of practice.	The information provided by the Treasury Advisor is reviewed by Treasury and Finance colleagues to ensure accuracy. The Treasury Advisor provides details behind the basis of the methodology and assumptions and also provides market analysis to enable management to review the estimate.	Yes, an external treasury advisor is used	The Treasury Advisor determines the accounting estimate and provides details behind the basis of methodology and assumptions and market analysis The Treasury Advisor provides details of the impact on the estimates of movements in assumptions to enable management to assess the sensitivity of the estimate.	No
NDR appeals	Data is provided from the VOA on outstanding and settled appeals. This is provided to external advisors who use the data to calculate the estimated reduction in RV for appeals yet to be settled.	The data used from the VOA is as at the Balance Sheet date to provide the most up to date data as possible. This data is reviewed and the assumptions used are reviewed by Senior Management	Yes, an external advisor is used	The estimate is reviewed against previous year's calculations and assumptions made to challenge any significant variations as well as taking into account current circumstances	No

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