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Informing the audit risk assessment for Shropshire Council 2022/23

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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.

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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 the period end?	Inflation has been a factor again throughout the accounts with increased costs in comparison to 2021/22.
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. There have been no events or transactions that may require a change or a new accounting policy
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
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. We are currently considering the councils exposure to RAAC.

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General Enquiries of Management

Question	Management response
6. Are you aware of any guarantee contracts? If so, please provide further details	No new guarantee contracts have been provided in 2022/23.
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.
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, Eversheds, Thompsons Solicitors There are a number of legal cases outstanding that may result in future costs for the Council. These include: • Employment tribunal appeal • Potential changes to CIL regulations and impact that this may have on Council CIL liabilities • Potential planning enforcement cases where there is the possibility that we will need to do the works and try to recover the costs. • Judicial review regarding adult social care regarding responsibility for care costs • Planning litigation • Potential property tenancy dispute.

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General Enquiries of Management

Question	Management response
9. Have any of 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
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.

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. What is management assessment of how the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments	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. Management's process for identifying and responding to the risks of fraud in the entity, including any identified specific risks of fraud and risks of fraud likely to exist	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.
3. How do the Council's risk management processes link to financial reporting?	Strategic and operational risks are regularly reported and monitored including key financial risks. Also finance are involved in providing evaluation of all strategic risks on a quarterly basis which highlights anything that may then need to be reflected in financial reporting.
4. Their knowledge of any actual, suspected or alleged fraud affecting the entity	Yes, but none of a material nature and levels are very low. All reports of fraud are investigated by Internal Audit and outcomes reported to Audit Committee as part of the exempt agenda items. External Audit attend all Audit Committee meetings and receive copies of the exempt agenda reports pack.

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Fraud risk assessment

Question/challenge	Management response
5. Their communication, if any, to those charged with governance regarding their processes for identifying and responding to the risks of fraud in the entity	Where there has been a breakdown in internal controls that has contributed to the fraud a management report is produced detailing the required control improvements. Outcomes reported to Audit Committee as part of the exempt agenda items.
6. Their communication, if any, to employees regarding their views on business practices and ethical behaviour	The vision and values for the Council identify the need for staff to act with integrity in all the undertakings. 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. A fraud and corruption module is available on Leap into Learning for relevant staff.
7. Whether any fraud has been raised by employees or other parties	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 to Internal Audit.

Fraud risk assessment

Question/challenge	Management response
8. 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 annually plan of work identifying the key areas for review and the need for assurance. 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. 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 and management responses received; the Chief Audit Executive reported limited assurance for the 2022/23 year on the Council's framework for governance, risk management and internal control.
9. Are there any areas where there is potential for misreporting? If so, please provide details	Not to my knowledge.

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Fraud risk assessment

Question/challenge	Management response
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.
12. 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 Speaking up about wrongdoing (whistleblowing) policy. Any instances of fraud reported as part of this policy are investigated by Internal Audit and the outcome is reported to the Monitoring Officer and Audit Committee .
13. 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. Has management identified possible litigation and claims which may give rise to a risk of material misstatement?	We are not aware of any actual or potential litigation or claims that would affect the financial statements.
2. What arrangements does management 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.
3. 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.
4. 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.
5. Is management aware of any non-compliance with any laws and regulations?	We are not aware of any instances of non-compliance with relevant laws and regulations in 2022/23.
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. The identity of the entity's related parties, including changes from the prior period.	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, the Shropshire County Pension Fund and Shropshire Towns and Rural Housing. West Mercia Energy and West Mercia Supplies are incorporated into the Council's Group Accounts.
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.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	All significant transactions will be subject to appropriate approval and scrutiny in accordance with the authorisation requirements of the Financial Rules.
4. The nature of the relationships between the entity and these related parties.	The nature of the relationship is disclosed in the Register of Interest or annual return. Relationships with group entities are assessed to establish the level of control to determine the treatment in Group Accounts.

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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
Whether events or conditions, that individually or collectively, may cast significant doubt on the Councils ability to continue as a going concern were identified?	No such events have been identified. 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.

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.

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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 and infrastructure • Pensions Liability • Fair Value Measurements • Significant accruals • Expected credit losses • 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 2022/23 and, if so, what was the reason for these?	The estimation processes are reviewed annually and updated to take account of current circumstances/emerging issues

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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.

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.

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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?
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.	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.	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.	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?
General Fund Assets continued	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.	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	Valuations are a mixture of Full Valuations and desktop indexation valuations to update previous valuations to 31st March 2023. 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

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 Accountant 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.	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?
Council dwelling valuations continued		Once received the reports are subject to review by Strategic Management Accountant, 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		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.	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. In the statement of accounts we assess the financial implications of a 1% movement in the valuations.	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?
Investment property continued		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		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?
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.	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.	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 2023. 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

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 – cont'd	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.	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 2023. 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

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 – continued	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.		Yes, external valuer used		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?
Property, Plant & Equipment - Infrastructure	Infrastructure assets are measured at historic cost and depreciated over the useful lives of the various types of works on the highways network as assessed by the Asset Manager in Highways using industry standards. Highways assets are assumed to have been fully consumed once the useful life applied has expired. The carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is considered to be nil. This is because parts of infrastructure assets are rarely replaced before the part has been fully consumed.	Additions in relation to Highways Infrastructure assets are identified through the capital programme each year. Useful lives of different categories of infrastructure assets expenditure are evaluated by the Highways Asset Manager and these are reviewed against industry standards to consider if they are appropriate. The Strategic Management Accountant also requests that the useful lives used to depreciate highways infrastructure assets are reviewed to consider any local circumstances specific to Shropshire that we are aware of. The Highways Asset Manager is also asked to identify if there have been any events identified in the Financial Year that may indicate the requirement to assess for an impairment of highways infrastructure assets or that current estimates for asset lives need to be re-evaluated.	No – external expert not used	If the useful life of assets is different to the life applied, depreciation is over or under charged in year and the carrying amounts of the assets are misstated. If previous expenditure has not been fully depreciated (carrying amount not nil) at the point replacement expenditure is incurred, the carrying amounts for assets will be overstated.	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?
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

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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?
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

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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?
Expected credit losses	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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