

Our ref: SWFRA 2022  
Your ref:

Joanne Coadey  
Shropshire and Wrekin Fire Authority  
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Dear Joanne,

## Shropshire and Wrekin Fire and Rescue Authority Financial Statements for the year ended 31 March 2022

As part of our audit of Shropshire and Wrekin Fire and Rescue Authority's financial statements for the year ended 31 March 2022, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in Shropshire and Wrekin Fire and Rescue Authority's financial statements this year. We do this to maintain our understanding of Shropshire and Wrekin Fire and Rescue Authority and to comply with International Auditing Standards (ISAs (UK)).

International Auditing Standards place obligations on auditors to document their understanding of the entity and its environment, including the entity's internal control, in identifying and assessing the risks of material misstatement in the financial statements. [ISA \(UK\) 540 \(Revised\) Auditing Accounting Estimates and Related Disclosures](#) requires auditors to understand a number of matters related to your key accounting estimates (as set out in section 13 of the standard).

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the accompanying schedules. A separate schedule is included for each key accounting estimate that we have identified. If you are aware of any other material accounting estimates that will be included in your financial statements could you please add and complete an additional schedule for that estimate.

I would be grateful for your responses, if possible, by the 1<sup>st</sup> April 2022 to help inform our risk assessment and planning of our 2021/22 audit of the Authority 's financial statements.

Please do not hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Harvinder Panesar

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## Valuation of Land and Buildings

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Officers confirmed that valuers would be using the up to date and checked gross internal areas utilised in 2020/21. Reports will be checked following submission to check that these GIAs have been used - any errors will be sent to the valuers for correction.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Information provided to the valuer for use during the calculation. The valuer recognises that the desktop data held is several years old, and therefore will be refreshed  Reresh of the desktop data held
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	The Head of Resources confirms the basis of the calculation with the valuer and also confirms any changes or enhancements that have taken place since the last valuation  No
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	The valuers hold data from the last valuation and a desktop exercise is undertaken to produce valuations for this year – this will be updated for 21/22. Any changes are communicated by the Head of Resources to the valuer. Updated data for 21/22
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Valuer engaged to complete the land and buildings valuations
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Controls are carried out by Head of Finance only in conjunction with the valuers and the Head of Resources
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes  Officers check data used at the beginning of the process and after the production of the reports provided. Any issues with the valuation itself would be addressed by the Head of Resources and the valuer
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Areas of uncertainty are considered and members are nmade aware of the uncertainty in place and how it is mitigated with the use of experts.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Methods and assumptions are confirmed at the beginning of the process and no alternative approaches are used following acceptance of the task.

## Valuation of the Pensions Liability

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Officers sought to ensure that accurate data was provided to the actuary - these were checked to the ledger prior to submission and it was confirmed following receipt of the reports that correct data had been used for the calculations.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Spreadsheet provided by the actuary, completed and confirmed to the ledger  No
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	The assumptions used in the actuarial calculation are set by the actuary and confirmed with officers. The methodology for this year's calculation was changed, this was discussed and agreed with officers and Grant Thornton and has been provided within the working papers.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Source data is taken directly from the payroll ledger - no changes  No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Actuaries engaged to complete the pensions actuarial calculations
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Controls are carried out by Head of Finance only in conjunction with the actuary
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes. Officers check data used at the beginning of the process and after the production of the reports provided. Any issues with the information provided can be queried with the actuary and thorough explanations would be provided. Sufficient assurances are provided by the actuary in relation to the way in which their work is approached and carried out.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Areas of uncertainty are considered and members are made aware of the uncertainty in place and how it is mitigated with the use of experts.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Methods and assumptions are confirmed at the beginning of the process and no alternative approaches are used following acceptance of the task.

## Depreciation of Buildings

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Depreciation periods are agreed with specialist operational officers  No
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Depreciation periods are agreed with specialist operational officers  No
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Asset register is updated to reflect the current net value of assets  Capital expenditure added as per the general ledger  No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Specialist operational officers used to determine asset lives  Finance staff used to calculate depn
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Reconciled back to previous year  No management experts
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Areas of uncertainty are considered and members are made aware of the uncertainty in place and how it is mitigated with the use of experts.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Methods and assumptions are confirmed at the beginning of the process and no alternative approaches are used following acceptance of the task.