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15 April 2021

Dear Catherine

## Allerdale Borough Council Financial Statements for the year ended 31 March 2021

As part of our audit of Allerdale Borough Council's financial statements for the year ended 31 March 2021, we need to update our understanding of your accounting estimates, including all the key accounting estimates that will be included in South Lakeland District Council's financial statements this year. We do this to maintain our understanding of South Lakeland District Council and to comply with International Auditing Standards (ISAs (UK)), including the revised standards that apply to our 2020/21 audit for the first time.

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](#) (revised in December 2018) is effective for audits of financial statements for periods beginning on or after 15 December 2019. The revised standard 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 7 May 2021 to help inform our risk assessment and planning of our 2020/21 audit of the Council's financial statements.

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

Yours sincerely

Richard Anderson  
Senior Manager  
For Grant Thornton UK LLP

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**Property, plant, and equipment and investment properties valuation estimate**

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?	
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 2020/21, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	
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?	
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?	
8. Were any changes made to the key control activities this year? If so please provide details.	
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	
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?	

**Pension liabilities valuation estimate**

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?	
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 2020/21, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	
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?	
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8. Were any changes made to the key control activities this year? If so please provide details.	
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	
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?	

### Depreciation estimate

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?	
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 2020/21, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	
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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?	

## Significant Income and Expenditure Accruals

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?	
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 2020/21, and if so what was the reason for the change?	
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9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	
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?	

## Fair Value Estimates

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?	
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 2020/21, and if so what was the reason for the change?	
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	
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8. Were any changes made to the key control activities this year? If so please provide details.	
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	
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?	