



Our ref:
Your ref:

Pendle Borough Council
Richard Gibson

21 March 2022

Grant Thornton UK LLP
Landmark
St. Peter's Square
1 Oxford Street
Manchester
M1 4PB

Dear Richard,

Pendle Borough Council's Financial Statements for the year ended 31 March 2022

As part of our audit of Pendle Borough Council'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 Pendle Borough Council's financial statements this year. We do this to maintain our understanding of Pendle Borough Council's and to comply with International Auditing Standards (ISAs (UK)), including the revised standards that apply to our 2021/22 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 April 11th to help inform our risk assessment and planning of our 2021/22 audit of the LG's financial statements.

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

Yours sincerely,

Sophia Iqbal
For Grant Thornton UK LLP

Land and Building Valuations

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?	Valued in accordance with RICS and CIPFA Guidance 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?	Valued in accordance with RICS and CIPFA Guidance 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?	Valued in accordance with RICS and CIPFA Guidance No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, Liberata UK Ltd (as the Council Property Advisors)
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?	Close working between Property Experts at Liberata UK Ltd and the Council's Accountancy Team
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?	Close working between Property Experts at Liberata UK Ltd and the Council's Accountancy Team
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?	Various – see disclosure in Statement of Accounts
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?	Various – see disclosure in Statement of Accounts

Depreciation

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?	Reducing Balance method 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?	Reducing Balance method 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?	Reducing Balance method No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
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?	Close working between Property Experts at Liberata UK Ltd and the Council's Accountancy Team
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?	Close working between Property Experts at Liberata UK Ltd and the Council's Accountancy Team
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?	Rates of Depreciation vary according to the nature of the asset, length of useful life etc.
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?	Rates of Depreciation vary according to the nature of the asset, length of useful life etc.

Valuation of defined benefit net pension fund liabilities

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?	Assets in the Balance Sheet are shown at Fair Value Liabilities in the Balance Sheet are on an actuarial basis using the project unit method 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?	Assets in the Balance Sheet are shown at Fair Value Liabilities in the Balance Sheet are on an actuarial basis using the project unit method 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?	Assets in the Balance Sheet are shown at Fair Value Liabilities in the Balance Sheet are on an actuarial basis using the project unit method No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The Council relies on the Actuary to the Lancashire County Pension Fund for these estimates
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?	Pension Fund Assets and Liabilities are subject to a separate External Audit
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?	Pension Fund Assets and Liabilities are subject to a separate External Audit
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?	Various – see disclosure in Statement of Accounts
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?	Various – see disclosure in Statement of Accounts

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?	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?	Various relating to Pensions, Financial Instruments and Assets (see Accounting Policies) 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?	Various relating to Pensions, Financial Instruments and Assets (see Accounting Policies) 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?	Various relating to Pensions, Financial Instruments and Assets (see Accounting Policies) No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Link Treasury Services (as the Council's Treasury Management
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.	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?	Various – See disclosure in Statement of Accounts
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?	Various – See disclosure in Statement of Accounts

Provisions NDR Appeals

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?	Assessment of outstanding appeals according to the Check, Challenge, Appeal data provided by the Valuation Office 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?	Assessment of outstanding appeals according to the Check, Challenge, Appeal data provided by the Valuation Office 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?	Assessment of outstanding appeals according to the Check, Challenge, Appeal data provided by the Valuation Office No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The Council uses Analyse Local to inform the development of its provision for appeals on Business Rates
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?	Officer judgement in the context of estimates provided by Analyse Local.
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?	Officer judgement in the context of estimates provided by Analyse Local.
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?	Based on an assessment around likelihood of success of appeal using advice from Analyse Local.
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?	Based on an assessment around likelihood of success of appeal using advice from Analyse Local.

Accruals (if any are material)

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?	Normal Accounting Procedures in accordance with Local Authority Statement of Recommended Practice 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?	Normal Accounting Procedures in accordance with Local Authority Statement of Recommended Practice 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?	Normal Accounting Procedures in accordance with Local Authority Statement of Recommended Practice No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
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?	Management Accounts
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?	Management Accounts
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?	Based on anticipated income and expenditure compared to budget estimates
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?	Based on anticipated income and expenditure compared to budget estimates

Credit loss and impairment allowance

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?	None
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?	N/A
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?	N/A
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?	N/A
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	N/A
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?	N/A
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?	N/A
8. Were any changes made to the key control activities this year? If so please provide details.	N/A
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	N/A
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?	N/A