

ESPO letterhead

PricewaterhouseCoopers LLP

Donington Court
Pegasus Business Park
Herald Way
Castle Donington
DE74 2UZ

Dear Sirs

This representation letter is provided in connection with your audit of the non-statutory Statement of Accounts of Eastern Shires Purchasing Organisation (ESPO) (the "Organisation") for the year ended 31st March 2019 for the purpose of expressing an opinion as to whether the non-statutory financial statements give a true and fair view, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice in Local Authority Accounting in the United Kingdom 2018/19.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Management Committee ('the Committee') with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, at the time the director's report is approved, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Non-statutory Statement of Accounts

I have fulfilled my responsibilities for the preparation of the Consortium's non-statutory Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice in Local Authority Accounting in the United Kingdom 2018/19; in particular the non-statutory Statement of Accounts give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the non-statutory Statement of Accounts.

Significant assumptions used by the Committee in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the non-statutory Statement of Accounts for which CIPFA/LASAAC Code of Practice in Local Authority Accounting in the United Kingdom 2018/19 require adjustment or disclosure have been adjusted or disclosed.

Information Provided

I have taken all the steps that I ought to have taken as Consortium Treasurer in order to make myself aware of any relevant audit information and to establish that you (the Committee's auditors) are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the non-statutory Statement of Accounts such as records, documentation and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the Committee from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of my assessment of the risk that the non-statutory Statement of Accounts may be materially misstated as a result of fraud;
- all information in relation to fraud or suspected fraud that I am aware of and that affects the Committee and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the non-statutory Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Committee's non-statutory Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing non-statutory Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Committee conducts its business and which are central to the Committee's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

Related party transactions

I have disclosed to you the identity of the Committee's related parties and all the related party relationships and transactions of which I am aware and I confirm that the attached appendix to this letter is a complete list of the Committee's related parties. All transfer of resources, services or obligations between the Committee and these parties have been disclosed to you, regardless of whether a price is charged. I am unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

I confirm that I have identified to you all members of key management, as defined by the Statement of Accounts and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and included their remuneration in the disclosures of officers' remuneration.

Employee Benefits

I confirm that I have made you aware of all employee benefit schemes in which employees of the Committee participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Committee have been properly reflected in the accounting records or, where material (or potentially material) to the non-statutory Statement of Accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the non-statutory Statement of Accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Taxation

I have complied with the UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that I am aware of or that are ongoing.

In connection with any tax accounting requirements, I am satisfied that:

- our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities;
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken for the Committee's benefit or any other party's benefit; and
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the Committee or any associated company for whose taxation liabilities the Committee may be responsible.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Going concern

An assessment has been made of the financial health of the organisation by the Committee for a period of at least one year from the approval of the Statement of Accounts.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Accounting estimates: measurement processes, assumptions, disclosures and effects of subsequent events

Regarding accounting estimates that were recognised in the Statement of Accounts, I confirm that:

- the Committee has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Accounting in the United Kingdom 2018/19;
- measurement processes were consistently applied from year to year; the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Committee, where relevant to the accounting estimates and disclosures;
- disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- no subsequent event requires adjustment to the accounting estimates and disclosures included in the Statement of Accounts.

Provisions

Provisions for depreciation and diminution in value including obsolescence have been made against inventory, and property, plant and equipment on the bases described in the Statement of Accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the Committee's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the Statement of Accounts.

I confirm that the Committee does not have plans to implement any redundancy/early retirement programmes for which a provision should have been made in the Statement of Accounts at the year end.

Use of the work of experts

I agree with the findings of the Leicestershire County Council valuations experts in evaluating the valuation of our non-current assets, experts in providing estimates of fair values in respect of financial liabilities. I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records. The Committee did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

I agree with the findings of Hymans Robertson, experts in evaluating the valuation of the pension liability, including:

- (i) the consideration of the recent developments covering GMP equalisation and their conclusion that its impact would not be material;
- (ii) the impact of the McCloud judgements and that it is appropriate to reflect the impact of these judgements in calculating the year end pension valuation; and
- (iii) confirmation that I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the non-statutory financial statements and underlying accounting records. I did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Retirement benefits

All significant retirement benefits that the institution is committed to providing, including any arrangements that are statutory, contractual or implicit in the institution's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with our knowledge of the business and in our view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

Relevant Rates	2019	2018
Discount rate	2.4%	2.7%
Pension increase	2.5%	2.4%
Salary increase	3.5%	3.4%
Mortality rates	Years	Years
Pensioners (Male)	22.1	22.1
Pensioners (Female)	24.3	24.3
Future Pensioners (Male)	23.8	23.8
Future Pensioners (Female)	26.2	26.2

Assets and liabilities

All known assets and liabilities including contingent liabilities, as at 31 March 2019, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at 31 March 2019 have been properly valued and that valuation incorporated into the financial statements.

The value at which assets and liabilities are recorded in the Balance Sheet is, in the opinion of the Committee, the market value. The Committee is responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they

appropriately reflect our intent and ability to carry out specific courses of action. Any significant changes in those values since the date of the financial statements have been disclosed to you.

The Committee has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.

In my opinion, on realisation in the ordinary course of the business, the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Committee has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

The Committee has satisfactory title to all assets and there are no liens or encumbrances on the Committee's assets, except for those that are disclosed in the Statement of Accounts.

I confirm that ESPO has carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that ESPO has used the appropriate assumptions with those reviews.

Cash accounting

I am satisfied that in relation to issues stated regarding rebate revenue recognition and direct sales cut-off in the ISA260, it is appropriate that these are accounted for on a cash basis and that due to their nature, accounting for these on an accruals basis would not result in a material difference.

Deficiencies in internal control

The Committee has communicated to you all deficiencies in internal control of which it is aware.

As minuted by the Management Committee at its meeting on 19 September 2019.

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(Consortium Treasurer)

For and on behalf of Eastern Shires Purchasing Organisation

Date

Appendix 1 – Related Parties and Related Party Transactions

Members and Senior Management Interests (to add)

Note 24 Extract (to add)

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