

The Audit Findings for ESPO

Year ended 31 March 2020

September 2021



Contents



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Section

1. Summary
2. Findings
3. Other communications
4. Independence, ethics and fees

Page

- 4
- 6
- 13
- 14

Appendices

- A. Audit Adjustments
- B. Communication of audit matters with those charged with governance

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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Private and Confidential

Members of the Audit Committee
ESPO
22 June 2021

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Dear Audit Committee

Audit Findings for ESPO for the year ended 31 July 2020

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at www.grantthornton.co.uk/about-us/transparency-report/.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

John Gregory
Engagement Lead
For Grant Thornton UK LLP

Chartered Accountants

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Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of ESPO's business and is risk based, and in particular included:

- An evaluation of ESPO's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you in June.

Findings

We have completed our audit procedures and we can conclude that where material ESPO have updated their financial statements for our findings. In appendix A we detail the results of the testing in more detail.

Internal Control

ESPO's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to ESPO.

Key Findings

Due to the national lockdown arising from the Covid-19 pandemic we did not observe the counting of physical inventories at the end of the year. We were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities held at 31 March 2020, which have a carrying amount in ESPO's Statement of Financial Position of £6,652,000, by performing other audit procedures. Consequently we were unable to determine whether any adjustment to these amounts were necessary.

As we were unable to attend the stock take, we will issue a limitation of scope in the audit opinion. However, this is not unusual for audits with a year end of 31 March 2020, as auditors have been unable to attend stock takes given the government guidance to stay at home. From the testing carried out on all other areas, we are satisfied that the financial statements are free from material misstatement.

This is the first year that ESPO have reported under UK GAAP FRS102, and thus has required ESPO to restate their prior year comparative figures. This was particularly challenging, and has resulted in various iterations of the financial statements, and amendments in primary statements and disclosures presented.

Conclusion

Management have made all necessary amendments to the financial statements and for any items where they have not adjusted, we have concluded that this would not result in a material misstatement to the financial statements.

As noted above we will issue a limitation of scope in the audit opinion in respect to the stock balance presented in the financial statements.

Summary

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We detail in the table below our determination of materiality for ESPO.

	ESPO Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,760,000	We determined materiality for the audit of ESPO's financial statements as a whole to be £1,760,000, which is approximately 2% of ESPO's total income. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in the levels of income available to ESPO to expend in furtherance of its objectives.
Performance materiality	1,200,000	We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality for the audit of the financial statements. Our consideration of performance materiality is based upon a number of factors: <ul style="list-style-type: none"> • This is a new audit for Grant Thornton UK LLP. • We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment • There has however, been some adjustments to the financial statements in the prior year, which has reduced the threshold that we might otherwise have applied.
Trivial matters	88,000	We determined the threshold at which we will communicate misstatements to the Audit Committee to be £19,000, which is 5% of materiality.

10

Significant risks

Detailed below are the significant risks highlighted in our Audit Plan, together with commentary on our subsequent work and findings.

Risks identified in our Audit Plan	Commentary
<p>1) The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Auditor commentary</p> <p>For all material revenue streams we have:</p> <ul style="list-style-type: none"> • documented our understanding of the controls in place around revenue recognition • reviewed and tested recognition policies for appropriateness and consistency with the prior year • reviewed income recognised in the year in comparison to the budget and forecasts and sought explanations for significant variances • reviewed performance against funding targets to assess whether any provision for clawback of funding is required in the financial statements • selected other revenue items for testing to underlying records to ensure that revenue has been appropriately recognised. <p>Conclusion</p> <p>We are satisfied the revenue has been correctly recognised in the financial statements and there is no evidence of material misstatement. We have noted that ESPO do not accrue for gas revenue based on the financial period of 1st April 2019 to 31 March 2020, but have charged the 12 months of revenue from 1 March 2019 to 28 February 2020, we are satisfied that this will not result in a material misstatement as 12 months of revenue is charged each year.</p>
<p>2) Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>ESPO faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of normal business as one of the most significant assessed risks of material misstatement.</p>	<p>Auditor commentary</p> <p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>Conclusion</p> <p>We have not noted any evidence of management override in our audit testing. However, we have noted the following</p> <ol style="list-style-type: none"> (1) Journal entries can be forward and back posted: there are mitigating controls in place that minimise risks associated with this - so this alone does not lead to a significant deficiency. (2) The Assistant FD, as a senior officer has access to post journals - it is however stated that this does not happen in practice, as approval of journals is only carried out. (3) The current journal reporting is such, that it does not allow for an extraction on journals posted by users, thus we are unable to confirm for the full population that no entries have been made by the Assistant FD or other senior management.

Significant risks (continued)

Risks identified in our Audit Plan	Commentary
<p>3) Local Government Pension Fund disclosures</p> <p>A number of ESPO's employees are included in the local government pension fund, a defined benefit scheme which is accounted for in accordance with FRS102 and the SORP. ESPO is required to carry out a full valuation of the assets and liabilities of the scheme on an annual basis and include the net amount in the year-end financial statements.</p>	<p>Auditor commentary</p> <p>ESPO uses the services of a professional actuary to carry out a valuation of the pension fund using assumptions agreed with management.</p> <p>We have:</p> <ul style="list-style-type: none"> • reviewed the underlying assumptions and calculations supporting the recognition of any net pension deficit against scheme rules and accounting requirements • reviewed the relevant disclosures relating to staff costs and pensions within the financial statements • assessed the movement in pension assets compared to prior year <p>Conclusion</p> <p>Our audit testing has given us assurance that the amounts reflected in the financial statements of ESPO are free from material misstatement. We have recommended that ESPO includes further disclosures in their financial statements to reflect the requirements of FRS102 in respect to pension liabilities.</p>

Significant risks (continued)

Risks identified in our Audit Plan

4) Covid-19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances may have an impact on the production and audit of the financial statements for the year ended 31 August 2020, including and not limited to;

- Remote working arrangements may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility will increase the uncertainty of assumptions applied by management and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 August 2020 in accordance with FRS 102, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

Auditor commentary

Stock Take

Due to the national lockdown arising from the Covid-19 pandemic we did not observe the counting of physical inventories at the end of the year. We were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities held at 31 March 2020, which have a carrying amount in ESPO's Statement of Financial Position of £6,652,000, by performing other audit procedures. Consequently we were unable to determine whether any adjustment to these amounts were necessary.

As we were unable to attend the stock take, we will issue a limitation of scope in the audit opinion. However, this is not unusual for audits with a year end of 31 March 2020, as auditors have been unable to attend stock takes given the government guidance to stay at home

Material uncertainty applied to valuations of pension assets

Leicestershire pension fund have included a material uncertainty over the valuation of directly held property in their asset portfolio in their financial statements as at 31 March 2020. This was due to the impact Covid-19 which resulted in a RICS valuation guidance alert which asked valuers of fixed assets to include this given the uncertainty in valuations caused by the pandemic. This resulted in the auditor of the pension fund including an emphasis of matter in their audit opinion, which to note is not a qualification but an observation made by the auditor in their audit opinion. ESPO's share of these assets is material to ESPO.

We have worked with officers to determine the impact that this has for the accounts of ESPO and agree with the view of management, that while this estimation uncertainty is material, it is not considered fundamental. As a result, we have agreed an additional disclosure note to be included in the financial statement of accounts to explain the position, but this will not be referred to in the audit opinion.

Conclusion

As noted above we will issue a limitation of scope in the audit opinion in respect to the stock balance, as we were unable to undertake required procedures, as a result of the global pandemic.

Significant risks (continued)

Risks identified in our Audit Plan

5) Conversion of financial statements from LG Code to FRS102

The Joint Committee has decided to change its accounting framework for the preparation of its financial statements from the LG Code to UK GAAP FRS102 for the year ending 31 March 2020

Section 35 of FRS102 applies to organisation who are first time adopters of FRS102. The section describes the requirements and disclosures for the Joint committee to take into account when preparing the financial statements under FRS102 which include

The date of transition is the beginning of the earliest period for which an entity presents full comparative information in accordance with FRS 102.

Reconciliations and explanations of the impact of adoption of FRS 102 are required.

In the opening statement of financial position, the entity should: recognise all assets and liabilities as required by FRS 102; not recognise items if FRS 102 does not permit recognition; reclassify items previously recognised as required by the FRS; and apply FRS 102 in measuring all recognised assets and liabilities.

A number of specific voluntary exemptions are provided which an entity can apply in preparing its first financial statements that comply with FRS 102

The Joint Committee will need to review and update the accounting policies adopted by the financial statements so that they are consistent with the requirements of UK GAAP FRS102.

Commentary

Auditor commentary

We have reviewed the financial statements and related disclosures that support the transition from the LG Code and FRS102 to ensure that ESPO has appropriately adopted the framework.

We have reviewed the process and arrangements the ESPO has to restate prior year figures for the year ending 31 March 2019 and tested these to ensure that the conversion has been appropriately completed.

Conclusion

We have made a number of recommendations to ESPO to ensure that all required disclosures are included in the financial statements which are required on the adoption of the UK GAAP FRS102 framework. Management have made all the required adjustments.

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going Concern Commentary

Auditor commentary

Management's assessment process

Management have carried out a written assessment which confirms:

- ESPO have taken into account the impact of Covid-19 and other events in their assessment of Going Concern are satisfied that there is no material uncertainty to cast significant doubt on the ESPO's ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date.
- ESPO has a firmly embedded financial planning process which includes a medium term financial plan, which is updated annually. ESPO has assessed the impact of Covid-19 in its plans.

The Covid-19 pandemic has had a limited impact so far on the ESPO's finances. ESPO have produced a budget for 2020/21 and has a medium term strategy in place for 2022/23 to 2024/2025, which anticipates trading profits each year.

Management's assessment has concluded that there is no material uncertainty in respect of going concern.

As such we consider that the assessment undertaken by the ESPO on going concern is a reasonable and valid one and there are no indications of material uncertainty.

Work performed

We have reviewed management's assessment and compared it with our knowledge of the ESPOs current financial position and its projections.




Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption.

We have reviewed managements Budget for 2020/21 and beyond and are satisfied that there are no specific risk factors that would mean that ESPO is unable to continue as a going concern. ESPO have a strong reserve position and continue to generate trading profit, which means that ESPO are in a good financial position and there are no factors identified that would impact it being able to operate as a going concern.

Concluding comments

We are satisfied that there is no material uncertainty in the operations of ESPO which would effect its ability to operate as a going concern.

Key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Revenue recognition	<p>Revenue from the sales of goods is recognised when ESPO satisfies the performance obligation to its customers on delivery and it is likely that economic benefits associated with the transaction will flow to ESPO. ESPO has standard payment terms agreed with its customers.</p> <p>Revenue from the provision of services is recognised when ESPO can measure reliably the percentage of completion of the transaction and it is probable that economic benefits associated with the transaction will flow to ESPO.</p> <p>Rebates are recognised where they can be reliably measured and agreed with the supplier and are retrospective. Cash is accounted for in the period it is received.</p>	<p>We have considered the:</p> <ul style="list-style-type: none"> • Appropriateness of the accounting policy under relevant accounting framework • Adequacy of disclosure of each accounting policy <p>and are satisfied that the application of revenue recognition is consistent with the disclosed policies. We have noted that ESPO do not accrue for gas revenue based on the financial period of 1st April 2019 to 31 March 2020, but have charged the 12 months of revenue from 1 March 2019 to 28 February 29, we are satisfied that this will not result in a material misstatement as 12 months of revenue is charged each year. We have recommended that ESPO update their accounting policy to reflect this so that this is clear to the reader of the accounts.</p>	<p>Green</p> 
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • Property plant and equipment • Pension liability 	<p>We have considered the:</p> <ul style="list-style-type: none"> • Appropriateness of policy under relevant accounting framework • Extent of judgement involved • Potential financial statement impact of different assumptions • Adequacy of disclosure of accounting policy <p>and are satisfied that the application of judgements and estimates is reasonable.</p>	<p>Green</p> 
Other accounting policies	<p>Policies have been disclosed within Note 3 of the financial statements.</p>	<p>We have reviewed ESPO's policies against the requirements of UK GAAP FRS102 and have concluded that they are appropriate an in line with their requirements.</p>	<p>Green</p> 

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																								
Defined Benefits Obligation – £16.575m	<p>ESPO's total net pension liability at 31 March 2020 is £16.575m (PY £24.839m).</p> <p>ESPO uses Hymans Robertson to provide actuarial valuations of ESPO's assets and liabilities derived from the Local Government Pension Scheme in which it participates, (which is Leicestershire Pension Fund administered by Leicestershire County Council).</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>We have compared the assumptions used by ESPO's actuary against relevant benchmarks. We have compared the assumptions applied by the actuary and those that are in the PWC report. These are as follows:</p> <table border="1" data-bbox="741 396 1808 782"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.3%</td> <td>2.3%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>1.9%</td> <td>1.8%-2.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>2.4%</td> <td>1.8%- 2.9%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65 (years)</td> <td>22.2</td> <td>21.6-23.3</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65 (years)</td> <td>25.2</td> <td>24.6 - 26.3</td> <td>●</td> </tr> </tbody> </table> <p>We are satisfied that the assumptions used are in line with benchmarked averages and there are no outliers which require further investigation.</p> <p>We are satisfied that the actuarial review which was completed in August 2020 has taken into account the impact of McCloud and we have assessed that the impact of both GMP and Godwin are not material for ESPO's pension position.</p> <p>The Leicestershire County Council Pension Fund Financial statements have included a material uncertainty due to Covid-19 over the valuation of directly held properties. We have worked with officers to determine the impact that this has for the accounts of ESPO and agree with the view of management, that while this estimation uncertainty is material, it is not considered fundamental. As a result, we have agreed an additional disclosure note to be included in the financial statement of accounts to explain the position, but this will not be referred to in the audit opinion.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.3%	2.3%	●	Pension increase rate	1.9%	1.8%-2.00%	●	Salary growth	2.4%	1.8%- 2.9%	●	Life expectancy – Males currently aged 45 / 65 (years)	22.2	21.6-23.3	●	Life expectancy – Females currently aged 45 / 65 (years)	25.2	24.6 - 26.3	●	<p>● Green</p>
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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any instances of frauds but we would ask the Audit Committee to notify us if they are aware of any such incidences.
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from ESPO, which is appended. This may be subject to change, should our remaining work identify any misstatements or the need for additional, specific representations to be made in respect of other matters.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to those organisations with which it banks. Permission was granted and positive confirmations have been received for the requests sent.
6	Disclosures	<ul style="list-style-type: none"> See Appendix B for the most significant disclosure amendments made to the financial statements. A small number of minor amendments were also made to improve clarity for the reader.
7	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All audit evidence has been obtained and sufficient explanations received where required.
8	Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to ESPO. No non-audit services were identified.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

	2019/20 Planned fee	2019/20 Final fee
ESPO Audit fee 2019/20	£37,000	£37,000
Total audit fees (excluding VAT)	£37,000	£37,000

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

Detail	Income Statement £'000	Balance Sheet £' 000	Reason for not adjusting
Our testing identified one error, where expenditure from 2018/19 was incorrectly included in 2019/20. We have extrapolated the error and this results in a potential misstatement of £190k.	Cr 2019/20 Expenditure 190 Dr 2018/10 Expenditure 190	nil	The error value is not material and therefore ESPO have decided not to adjust their financial statements for this as this is an error due to incorrect year allocation, with actual expenditure incurred by ESPO
Overall impact to 19/20	(190)	nil	

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure point	Detail	Adjusted?
Accounting Policy - Turnover	We have noted that ESPO do not accrue for gas revenue based on the financial period of 1 st April 2019 to 31 March 2020, but have charged the 12 months of revenue from 1 March 2019 to 28 February 29, we are satisfied that this will not result in a material misstatement as 12 months of revenue is charged each year. We have recommended that ESPO update their accounting policy to reflect this so that this is clear to the reader of the accounts	Yes
Transition to UK GAAP FRS102	Our review of the financial statements found that there were a number of disclosure errors and omissions in the financial statements as a result of the transition to the CIPFA Code to UK GAAP FRS102.	Yes
Employee Benefits	Note 16 Employee Benefits does not disclose the employers contributions recognised in the P&L account of £1.893m (or the 2018/19 prior year comparator of £1.712m). ESPO should consider including to evidence that the post employment benefits reconcile with the Statement of changes in equity at £2.127m for 2019/20 and £2.162m for 2018/19.	Yes
Pension Liabilities	There were a number of items included in the actuarial report for ESPO, that have not been given full disclosure in the draft accounts at Note 16	Yes
Audit Fee	The audit fee in the draft financial statements was incorrect.	Yes

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of ESPO's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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