

Eastern Shires Purchasing Organisation

AUDIT FINDINGS REPORT

YEAR ENDED 31 MARCH 2023



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PRIVATE & CONFIDENTIAL

ESPO Management Committee
Grove Park
Barnsdale Way
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26 September 2023

Dear Committee

REPORT TO MANAGEMENT

During the course of our audit for the year ended 31 March 2023 certain matters arose that we are required to communicate to you. Within this report we document these points but also outline certain recommendations which we feel may be of value to you.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

We have complied with the Financial Reporting Council's (FRC) Ethical Standard and no additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

This report has been prepared for the sole use of the Management Committee of ESPO and must not be shown to third parties without our prior consent. No responsibilities are accepted by TC Group towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all members of the ESPO's staff who assisted us in carrying out our work and please do get in contact should you wish to discuss further any matters contained within the report.

Yours faithfully

TC-Group

AUDIT OVERVIEW

AUDIT APPROACH	AUDIT STATUS	ANTICIPATED AUDIT OPINION
<p>The audit was performed in accordance with the International Standards on Auditing (UK) (ISA's). Our general audit approach was determined by our assessment of risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the group operates.</p> <p>During the audit we updated our understanding of the business and it's operating environment, we reviewed the design and implementation of key internal controls and performed substantive audit procedures that focused proportionately towards identified risk areas.</p>	<p>Prior to issuing our audit report we require:</p> <ul style="list-style-type: none">• A letter of representation signed by management.• Confirmation from management of post balance sheet events.• Signed financial statements.	<p>We confirm we have maintained compliance with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements.</p> <p>We anticipate that we will issue an unmodified audit report, subject to the satisfactory clearance of any outstanding matters outlined in this report.</p>

ETHICAL CONSIDERATIONS

The Financial Reporting Council's (FRC) Ethical Standard and ISA UK 260 require us to give you full and fair disclosure of matters relating to our integrity, objectivity and independence. In this context:

- We confirm that there are no significant facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention.
- We have complied with the FRC Ethical Standard and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the FRC Ethical Standard.

As part of the audit process, we have considered whether non-audit services might be seen as a threat to our integrity, objectivity and independence as ESPO's auditors. We have ensured appropriate safeguards are put in place as evidenced opposite.

SERVICE	THREAT	SAFEGUARD
No 'non-audit' services provided		

SIGNIFICANT RISKS - FINDINGS

AREA	AUDIT WORK DONE	AUDIT FINDINGS
<p>Revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated as a result of improper revenue recognition.</p>	<ul style="list-style-type: none"> • Review of revenue recognition policies of all revenue streams to ensure compliance with FRS 102. • Substantive testing of material revenue streams both during the year and around year end to ensure revenue existed, was complete and recorded in the correct financial year. 	<p>No significant issues noted.</p>
<p>Management override of controls Under ISA 240 there is a presumed risk in relation to the overriding of controls by management. Certain balances with the financial statements require significant management judgement and estimation, and as such presented heightened audit risk.</p>	<ul style="list-style-type: none"> • Review of processes adopted by management in arriving at significant accounting estimates and judgements. • Review of journal postings during the year and around year end. • Review of any unusual and unexpected transactions identified throughout the audit file. 	<p>No significant issues noted</p>
<p>Stock valuation Given stock is a material balance and significant movement has been noted when compared to prior year we have selected as a significant risk.</p>	<ul style="list-style-type: none"> • Review stock cost back to purchase invoices • Review of stock net realisable value to sales invoice 	<p>No significant issues noted</p>

SIGNIFICANT RISKS - FINDINGS

AREA	AUDIT WORK DONE	AUDIT FINDINGS
<p>Recoverability of debtors There is a risk that debtors may be materially overstated in the financial statements.</p>	<p>We performed the following:</p> <ul style="list-style-type: none"> • analytical review to assess movements and trends. • review of after date cash received. • review of aged debtors. 	<p>No significant issues noted.</p>
<p>Property valuation Due to the material balance subjectivity required in relation to valuation of property we have selected as a significant risk area.</p>	<p>We performed the following:</p> <ul style="list-style-type: none"> • Review and test assumptions applied by third party property valuer for appropriateness. • Assess qualifications, knowledge and competence of the valuer. • Corroborate amounts recorded to third party report. 	<p>No significant issues noted</p>

OTHER KEY AUDIT ISSUES

AREA	AUDIT WORK DONE	AUDIT FINDINGS
<p>Post balance sheet events We have a responsibility to consider the impact of events after the reporting date on the financial statements, to the date the audit report is signed.</p>	<p>We performed post year end reviews of the following:</p> <ul style="list-style-type: none"> • Management accounts • Board minutes • News reports • Ledgers / statements • Statutory filings 	<p>No material events identified.</p>
<p>Going concern We are required to report on the appropriateness of management’s assessment of going concern.</p>	<p>We reviewed managements assessment of whether the company is a going concern. We corroborated the assessment through reviewing the following:</p> <ul style="list-style-type: none"> • The results of the year • Post year end management accounts • Current financial position 	<p>We consider managements assessment of going concern to be appropriate.</p>
<p>Related Parties We are required to consider the risk of material misstatement associated with related party relationships and transactions.</p>	<p>The group structure and related party forms were obtained from management and corroborated to supporting records. Completeness of these disclosures was considered through reviewing ledgers and statutory records.</p>	<p>We have reviewed the disclosures in the financial statements to ensure disclosures are accurate, complete and compliant with FRS 102, no issues were identified in relation to this.</p>

INTERNAL CONTROLS

To enable us to express an opinion on the financial statements our audit included consideration of internal controls relevant to the preparation of the financial statements. Our consideration of these relevant internal controls is required to enable us to identify and assess risks from which we design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit and are required to report to you.

CONTROL POINT	SIGNIFICANCE	IMPLICATIONS	RECOMMENDATIONS
From procedures performed, it was noted that VAT is not regularly reconciled to turnover.	L	This gives rise to a risk that VAT returns submitted are inaccurate.	We recommend regularly reconciling VAT to turnover as a matter of risk management.

ADJUSTED MISSTATEMENTS

DETAILS	P&L ACCOUNT (£)		BALANCE SHEET (£)		P&L EFFECT (£)
	DR	CR	DR	CR	
No audit adjustments					

UNADJUSTED MISSTATEMENTS

DETAILS	P&L ACCOUNT (£)		BALANCE SHEET (£)		P&L EFFECT (£)
	DR	CR	DR	CR	
No unadjusted misstatements.					
Some immaterial balance sheet reclassifications were posted following the audit but had no impact on reported profit or net assets.					



OUR SERVICE LINES & SECTORS

As business advisers and accountants, we're able to provide our clients with a suite of services to meet the demands and growth needs of their business.

By offering these services under a single brand, we're able to ensure the advice and support we provide to our clients is both comprehensive and joined up.

We also provide specialist expertise to a number of specific industry sectors.



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