
Government and Public Sector

***Eastern Shires
Purchasing
Organisation***

Annual Audit Letter

December 2011

2010/11 Audit

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Members of the Management Committee
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December 2011

Ladies and Gentleman

We are pleased to present our Annual Audit Letter summarising the results of our 2010/11 audit. We look forward to presenting it to Members on 2 March 2012.

Yours faithfully

PricewaterhouseCoopers LLP

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

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Introduction

The purpose of this letter

The purpose of this letter is to summarise the results of the 2010/11 audit. We have already reported the detailed findings in the following reports:

- Audit opinion for 2010/11 financial statements, incorporating the conclusion on Value for Money; and
- Report to those charged with governance (ISA (UK&I) 260).

The matters reported to you here are those we consider to be the most significant for the Joint Committee.

Scope of work

Our audit work is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

You are responsible for preparing and publishing the financial statements, including the Annual Governance Statement. You are also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Annual Governance Statement;
- forming a conclusion on the arrangements that the Joint Committee has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Our 2010/11 audit work has been undertaken in accordance with the Audit Plan that you approved in March 2011.

Audit Findings

Accounts

We audited ESPO's accounts in line with International Standards on Auditing (UK & Ireland) and issued an unqualified audit report on 30 September 2011.

We identified the following key issues from our audit of the Joint Committee's accounts:

- The financial statements and the supporting schedules were ready within the agreed timetable. The quality of the working papers and draft accounts were of a good standard.
- Our work on the systems identified no material weakness, with some minor recommendations reported for action.
- No material errors were found in our work on the accounts and there were no uncorrected misstatements.

Economy, efficiency and effectiveness

We were required to issue a conclusion on the adequacy of the Joint Committee's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

We issued an unqualified conclusion on your arrangements for securing adequate Use of Resources on 30 September 2011.

We recognise that you are on a journey to improve the arrangements you have in place which govern the business and manage your finances.

In forming our value for money conclusion, we took into account the journey that the organisation is currently on to improve the arrangements it has in place to govern the business and manage your finances. Whilst we identified areas where you could strengthen your arrangements, we were assured by the fact that these are areas you are already addressing as part of the workstreams you have in motion. These areas include:

- Risk management – the need to strengthen the process for the escalation of risk and to establish an assurance framework in respect of strategic risks identified.
- Medium term financial planning – the development of longer term financial forecasts, and financial modeling which reflects your strategic direction and can be flexed to consider the financial impact of threats to the achievement of your strategic objectives.
- Budgeting and regular financial reporting - the development of your management accounts function including more tailored financial reporting on a service line basis.

Annual Governance Statement

Local government bodies are required to produce an Annual Governance Statement (AGS) which is consistent with guidance issued by CIPFA / SOLACE. The AGS was included in the financial statements.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE guidance and whether it was misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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