

## Audit and Inspection Annual Letter

# Gosport Borough Council

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<b>Reference:</b>	SAGO002AAL03W – Final
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<b>Date:</b>	December 2003

## Key messages

The current year has been and continues to be dominated for Gosport Borough Council, as it has been for all other district councils in Hampshire, by the Comprehensive Performance Assessment, or CPA. Preparations for this, including very importantly the self-assessment, have been a key focus for officers and members alike.

It is not yet possible to report the outcomes of your CPA, which will be shared in draft with you in early December and finalised in the New Year. This Letter therefore covers other aspects of the programme of audit and inspection activity in the context of the key business risks faced by you.

The key messages arising from our work which warrant highlighting to Members are listed below:

### Comprehensive Performance Assessment

The Council's comments on a draft CPA report were invited in early December and the report will be finalised in the new year.

Regardless of the overall outcome of the assessment, the key objective for the Council will be, through the improvement planning process, to prepare to respond to any issues raised.

### Financial standing

#### General Fund

General Fund reserves are below the minimum prudent level recommended by your s151 Officer. It is therefore important that the Treasurer's strategy to restore revenue reserves to seven per cent of net operating expenditure is achieved as soon as possible. This will be extremely challenging and will require a strong commitment by Members to deliver.

In 2002/03 there was a General Fund overspend of £0.459 million. This was met from the capital reserve, which now has a zero balance, and the working balance reserve which now stands at £0.464 million.

A similar overspend in the current year would exhaust the Council's revenue reserves and may lead to the Treasurer considering more formal action to balance income and expenditure for the year. Members should ensure that robust budgetary control is exercised over the remainder of the financial year to ensure that reserves are safeguarded from further reductions. Specific measures should be undertaken to closely monitor the spending pressures that have been identified to date on homelessness.

#### Housing revenue account

Over the longer term, the housing strategy document reveals a significant funding gap (£21.5 million) between projected levels of capital resources and those that are required to meet the decent homes standard by 2010.

To address the funding gap, the Council has proposed a partial transfer of housing stock for which a ballot will be held in December. If tenants vote against the transfer, Members are aware of the need to develop an alternative strategy to address this issue.

### Performance management

We commented last year that the Council was not effectively cascading performance indicators, targets and service objectives to all levels of the organisation. Our work this year showed that only limited progress has so far been made on this agenda.

As reported last year and confirmed by our work to support our auditor judgements, there is now an urgent need for the coming year to:

- set key corporate and strategic targets and indicators
- develop and integrate local performance indicators and targets, both at corporate and service levels, into performance management processes
- develop the service planning framework to link action plans to the budgetary process
- demonstrate that internal review processes highlight and challenge poorly performing services to improve over an appropriate period.

*Although the Council's vision and priorities are effectively cascaded to staff, this needs to be strengthened by ensuring that these arrangements are supported by specific and measurable objectives and targets.*

*The Council has recognised that improvements are required and now needs to make progress to clarify the linkage between the budget setting process and the delivery of its plans and targets.*

*Alongside this, Members need to increase their ownership of, and involvement in, monitoring performance. Current Member involvement:*

- *does not follow a regular cycle*
- *is ad hoc between service areas*
- *does not clearly identify where performance is behind expectations and the actions needed to improve.*

## The purpose of this Letter

This is our first joint audit and inspection 'Annual Letter' for Members presented by the Council's Relationship Manager/District Auditor. The Letter summarises the conclusions and significant issues arising from our 2002/03 audit and inspection programme and comments on other current issues relevant to the Council.

The Audit Commission earlier this year appointed a Relationship Manager to each council, to act as the top level contact between the Council and the Audit Commission. Although this took effect formally at the start of the 2003/04 audit and inspection year, this 2002/03 Letter is presented as a Relationship Manager Letter incorporating the Annual Audit Letter.

We have issued separate reports during the year having completed specific aspects of our programme. These reports are listed in Appendix 1 for information.

Auditor's responsibilities are summarised in the Audit Commission's statement of key responsibilities of auditors. The responsibilities of Audit Commission Inspectors are detailed in section 10 of the Local Government Act 1999. What we say in this letter should be viewed in the context of that more formal background.

## Objectives of audit and inspection

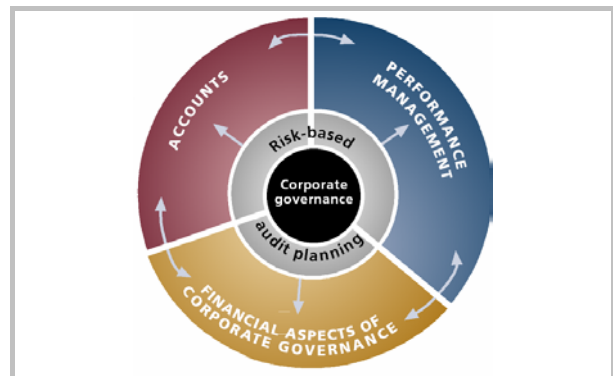
### Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code of Audit Practice and shown in Exhibit 1.

#### EXHIBIT 1

#### The three main elements of our audit objectives



#### Accounts

- Opinion.

#### Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

#### Performance management

- Use of resources
- Performance information
- Best Value Performance Plan (BVPP).

## Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether best value is being delivered
- enable the Council to assess how well it is doing
- enable the Government to assess how well its policies are being implemented
- identify failing services where remedial action may be necessary.

## Background to the audit and inspection programme for 2002/03

Draft CPA reports for Hampshire districts are scheduled for distribution to councils for comment in early December 2003. Because these reports will not be finalised until the new year, this Annual Letter for 2002/03 refers only in general terms to CPA.

The Audit Commission has changed the start of its operational year from November to April, so the programme of work carried out in 2002/03 is truncated compared to a 'normal' year. The main benefit of this to you is that you will know the fee before setting your budget each year.

The pace of change in local government continues unabated, and the demands made by this on the Council have been considerable. Our overall conclusions in this Letter should be seen against the wider environment that the Council is responding to, which includes, over the past year:

- preparing for CPA
- considering ways to fund housing improvements
- continuing budget pressures.

In accordance with our responsibilities under the Code of Audit Practice we have had regard to these issues in planning and carrying out the audit.

## Comprehensive Performance Assessment

*The Council's comments on a draft corporate assessment report were invited in early December and the report will be finalised in the New Year.*

Regardless of the overall outcome of the assessment, the key objective for the Council will be, through the improvement planning process, to prepare to respond to any issues raised.

### CPA: general background

CPA is primarily intended to help councils deliver better services to local people as part of the wider improvement agenda set out in the Local Government White Paper *Strong Local Leadership – Quality Public Services*. It has been developed to encompass the role of district councils in developing and contributing to sustainable social and economic environments for their communities and local area.

The main elements of CPA for district councils are:

- council self-assessment
- accredited peer challenge to inform the self-assessment
- a corporate assessment, informed by on-site inspection by the Audit Commission
- diagnostic assessments of the council's
  - management of public space
  - progress in meeting the decent homes standard or contribution to the management of housing market
- Benefit Fraud Inspectorate's assessment of benefit services
- appointed auditor assessments of performance on each of the main elements of the Code of Audit Practice
- audited performance indicators, inspection reports and plan assessments.

**CPA: outcomes and next steps**

The Council's comments on a draft CPA report were invited in early December and the report will be finalised in the New Year.

Regardless of the overall outcome of the assessment, the key objective for the Council will be, through the improvement planning process, to prepare to respond to any issues raised.

## Performance management

*We report in this section the limited amount of performance audit work carried out in 2002/03, under the headings of:*

- *performance management framework*
- *BVPP/performance information.*

**Performance management framework**

*The Council needs to continue to develop its performance management arrangements and Members have a key role to play in this.*

As an important element of the pre-CPA Auditor Judgements work carried out by the local audit team, we considered the robustness of your arrangements for managing performance.

The Council has recognised that its current arrangements are failing to provide the required strategic direction. In particular, Members should ensure that Overview and Scrutiny contributes to the leadership of the Council by adopting an appropriate strategic overview role.

Last year, we concluded that the Council had not fully developed performance indicators, targets and service objectives that cascaded clearly through the organisation based on the corporate plan. Our work this year confirmed that only limited progress has so far been made to respond to this weakness. The Council has recognised that further improvements are required.

In particular, although processes are in place for cascading the Council's vision and priorities to staff, this process needs to be strengthened by ensuring that these arrangements are supported

by specific and measurable objectives and targets.

The Council also needs to make progress to clarify the linkage between corporate and service priorities and the budget setting process.

Members need to develop their role in monitoring performance because current involvement:

- does not follow a regular cycle
- is ad hoc between service areas
- does not clearly identify where performance is behind expectations and the actions needed to improve.

Procedures adopted by officers also need reinforcement. Minutes of management meetings do not indicate what actions have been proposed in respect of failing performance, or any amendments to improvements plans required as a result.

## Best Value Performance Plan and performance information

*Your arrangements to produce your BVPP are sound and we have given an unqualified opinion on the BVPP.*

**BVPP**

Your BVPP complied in all significant respects with legislation and Council has acted to rectify its initial failure to include performance targets for 2004/05 and 2005/06. We have therefore issued an unqualified opinion on the BVPP, included within Appendix 1 to this report.

Despite our critical comments on last year's BVPP, this year's was produced in the same format and again there was little informative analysis of the Council's overall performance. The BVPP did not therefore discharge particularly well the key requirement to report the Council's performance to its stakeholders (both internal and external).

We repeat the recommendation made last year that the Council improve the way in which it reports past performance and future challenges more informatively in future BVPPs.

**Best value performance indicators**

Our review of best value performance indicators (BVPIs) revealed that nine per cent

of your indicators were either significantly inaccurate or failed to comply with the definition. This did not, however, require us to qualify our opinion on the BVPP.

Your quality assurance arrangements in this area need to be enhanced in order to ensure that the performance information reported in future BVPPs is more reliable.

## Financial aspects of corporate governance

*Our audit of financial aspects of corporate governance for 2002/03 was designed in large part to underpin and inform the Auditor Scored Judgements (ASJs). These were finalised following a county-wide moderation process and made available to the corporate assessment team before their on-site work started in September. The summary scores will be included in the final CPA report.*

### Financial standing

*Your reserves are below prudent levels. We have highlighted reservations on this issue over the last three years, and so have concerns over your arrangements to ensure that financial standing is soundly based. General Fund reserves are below the minimum prudent level recommended by your s151 Officer. It is therefore important that the Treasurer's strategy to restore revenue reserves to seven per cent as soon as possible is achieved. This will be extremely challenging and will require a strong commitment by Members to deliver.*

Auditor Scored Judgements (financial standing)	Score (out of 4)
Setting a balanced budget	3
Setting a capital programme	4
Financial monitoring and reporting	3
Meeting financial targets	2
Financial reserves	2
<b>Summary score</b>	<b>3</b>

### General Fund: 2002/03 out-turn

In 2002/03, there was a General Fund overspend of £459k. This was met from the capital reserve, which now has a zero balance, and the working balance reserve which now stands at £464k.

The following were the most significant areas of overspend against the original budget:

- Council Tax rebates and housing benefits £207k
- Priddy's Hard (Explosion museum) £160k
- homelessness £115k.

### 2003/04 budget

The combination of the revised Government grant formula, inflation and new legislative requirements led Members to set a net budget of £10.48 million in February 2003, an increase of 5.2 per cent over 2002/03. The Council Tax increase is below increases at neighbouring Hampshire authorities.

To achieve this, your budget contains no provision for contingencies and no increase in reserves in 2003/04 to provide a buffer for unforeseen costs. The Council has also acknowledged that the low levels of maintenance needed in order to set a budget at this level are unsustainable in the longer term.

The latest monitoring report for 2003/04 anticipates an overspend against original budget of £50k.

### Budget setting and control arrangements

Future budget setting process would be enhanced by a more strongly developed risk assessment of material items of income and expenditure, reported to members to aid decision-making. This is of particular importance given the low level of the Council's reserves.

Members should ensure that robust budgetary control is exercised to safeguard against further overspending, particularly bearing in mind that the overspend experienced in 2002/03 did not become apparent until late in the financial year. Specific measures should be undertaken to monitor closely the spending pressures that have been identified in respect of homelessness.

**Reserves**

The current General Fund working balance is £464k, less than five per cent of forecast net expenditure. The Council’s financial exposure is exacerbated by the lack of any contingency in the budget and only minimal earmarked reserves.

Included within your 2002/03 financial statements is a provision to reimburse Hampshire County Council (HCC) for unearned developer’s income. The Council has not reached agreement with HCC on the level of the reimbursement. The Council’s provision is £100k lower than HCC’s estimate and there is a risk that reserve levels could be further reduced by this amount.

The Treasurer’s (s151 Officer’s) target level of reserves is seven per cent of net expenditure, equivalent to approximately £750k. Whilst considered unlikely by your Treasurer, a year-end overspend similar to that experienced in 2002/03 would exhaust the Council’s revenue reserves and may lead to the Treasurer needing to consider more formal action to balance income and expenditure for the following year.

It is therefore important that the Treasurer’s proposals to restore revenue reserves to seven per cent as soon as possible are achieved. This will be extremely challenging and will require a strong commitment by Members to deliver.

**Housing revenue account**

The housing revenue account (HRA) balance stood at £702k at 31 March 2003, an increase of £111k over the year. The forecast deficit of £91k did not materialise because of £185k slippage on capital expenditure. Current projections for 2003/04 indicate the balance is likely fall to around £500k by year-end.

This would be equivalent to about £135 per property, well below the national average of £300 per property.

The Borough Treasurer’s view is that £400k represents the minimum prudent level of reserves that the Council should maintain over the short-term. This balance should therefore be protected by Members from further falls during the forthcoming budget round.

The overall level of reserves that should be retained within the HRA over the medium-term should also be considered and approved as part of formulating the medium-term financial strategy.

Over the longer-term, the housing strategy document reveals a significant funding gap (£21.5 million) between projected levels of capital resources and those that are required to meet the decent homes standard by 2010.

To address the short-term financial pressures and longer-term funding gap, the Council has proposed a partial transfer of its housing stock for which a ballot will be held in December. If tenants vote against the transfer, Members are aware of the urgent need to develop an alternative strategy to address this issue.

**Response to prudential code**

CIPFA continues to make progress with the prudential code for capital investment by local government, which is expected to be implemented at all local authorities in England from 1 April 2004. This will replace the present complex regulatory framework with a new system based largely on self-regulation by local authorities.

Officers have identified the actions needed to comply with the new arrangements and are taking appropriate action to implement the code by 1 April.

**Systems of internal financial control**

*The Council’s arrangements are largely robust, but there is still a need to further develop risk management arrangements.*

<b>Auditor Scored Judgements (internal financial control)</b>	<b>Score (out of 4)</b>
Monitoring of financial systems	3
Adequacy of Internal Audit	3
Risk identification and management	2
<b>Summary score</b>	<b>3</b>

**Monitoring of financial systems**

Improvements should be made to the Council’s accounting controls. In particular, there is an urgent need to improve procedures surrounding control accounts. Members should ensure that appropriate action to resolve this issue is taken by officers.

**Internal audit**

The quality and scope of internal audit work carried out by permanently employed staff is of a good standard and we have been able to place reliance on internal audit coverage and support their findings.

There is a lack of computer audit expertise within the Internal Audit team and officers are actively considering other ways to provide this service.

**Risk management**

The Council has made good progress in developing its arrangements, from the low base common to a majority of district councils. The initial processes of risk identification, assessment and mapping to controls have now been completed. A risk management group has been established to manage and oversee the developing arrangements. Increased member involvement in risk identification and determination of responses would further strengthen arrangements.

The Council now needs to build on and gain increased benefit from these arrangements through changing behaviour and resource allocation in response to clarifying risks.

**Standards of financial conduct & prevention and detection of fraud and corruption**

*Expected controls and formal procedures are mostly in place and your overall arrangements for preventing and detecting fraud and corruption are considered to be satisfactory.*

<b>Auditor Scored Judgements (standards of financial conduct)</b>	<b>Score (out of 4)</b>
Ethical framework	4
Governance arrangements	3
Treasury management	3
Prevention and detection of fraud and corruption	3
<b>Summary score</b>	<b>3</b>

While substantially sound, awareness of the importance of strong governance arrangements needs to be emphasised more strongly during the induction of new staff. Arrangements for prevention and detection of fraud and corruption would benefit from a more proactive approach by Internal Audit, with a work programme in this area developed on the basis of a risk assessment.

**National Fraud Initiative**

The National Fraud Initiative (NFI) is the Audit Commission’s data-matching exercise. Its main aim is to help identify and reduce housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud. The NFI is carried out every two years and data matches were provided to you in April 2003.

As part of our audit we also assessed how you have responded to the output of the national data-matching exercise. We found that you had responded positively to NFI 2002 and that arrangements are in place to ensure that the data matches are appropriately investigated.

**Legality of transactions**

*The Council has sound arrangements in place to ensure the legality of financial transactions and the implementation of new legislation.*

<b>Auditor Scored Judgements (legality)</b>	<b>Score (out of 4)</b>
Roles and responsibilities	4
Legality of significant financial transactions	4
New legislation	3
<b>Summary score</b>	<b>4</b>



Your arrangements to ensure the legality of financial transactions are effective.

The Borough Solicitor, in her role of Monitoring Officer, has confirmed that there are currently no matters that need to be brought to our attention.

Progress is being made in responding to the requirements of new legislation such as the Freedom of Information Act. We have reported to officers that these arrangements would be improved by introducing a more structured process and corporate monitoring to ensure that changes necessitated by new legislation are in place.

## Accounts

*We issued an unqualified opinion on the Council's accounts on 4 December 2003.*

### Auditor Scored Judgements

Several aspects of the preparation of the annual statements of account were assessed:

Auditor Scored Judgements (accounts)	Score (out of 4)
Timeliness	4
Quality	2
Supporting records	3
<b>Summary score</b>	<b>3</b>

As indicated above, the quality of the draft accounts presented for audit needs to be improved. In particular, increased checks on the accounting treatment of capital transactions would improve the Council's draft financial statements. We are currently discussing the actions needed to achieve this with officers and there are no further issues for the attention of Members.

### Reporting to the Council – SAS 610

There is a new auditing standard which applies to our audit of your accounts - Statement of Auditing Standard (SAS) 610 'Reporting to those charged with governance'. This requires us to report issues arising from our audit to members

before we give our audit opinion on your financial statements.

In previous years, we have discussed such issues with officers rather than Members, but the SAS encourages openness and accountability by ensuring that Members take responsibility for the Council's accounts.

There are no issues arising from our audit of the accounts for 2002/03 that need to be brought to the attention of Members.

### Preparations for WGA

Whole of Government Accounts (WGA) will be commercial-style accounts covering the whole of the public sector. Arrangements are already under way for a set of audited and published Central Government Accounts (CGA) and 2003 saw the introduction of a revised future accounting timetable for local government. The Accounts and Audit regulations will gradually bring forward the accounts approval deadlines and the first published WGA is expected in 2006/07.

Whilst the Council already has an early accounts production timetable, the introduction of new consolidation processes, standardised accounting policies and intra-Government balance agreement procedures are likely to represent a significant challenge over the next three years.

We will continue to work supportively with the Council on this issue.

## Audit and inspection fees

The proposed fee for the 2002/03 audit was set out in our audit plan agreed at the start of the audit.

Members should note that in order to bring the Audit Commission financial year in line with local authorities', the current plan covers the period from November 2002 to March 2004. In this time we will deliver two statutory audits (2002/03 and 2003/04) and two annual audit letters.

The table below sets out our latest estimate of the actual fee for 2002-04 on the basis that some work remains in progress or (in the case of the 2003/04 audit) not yet started, together with explanations where there are variances.

Audit area	Plan 2002/04 £'s	Actual 2002/04 £'s
Accounts	65,400	65,400
Financial aspects of corporate governance	39,000	39,000
Performance	22,800	22,800
<b>TOTAL CODE OF AUDIT PRACTICE AUDIT FEE</b>	<b>127,200</b>	<b>127,200</b>
Inspection (1)	15,800	15,800
Additional s35 work		
Certification of grant claims 2002/03 only (2)	30,000	30,000
<b>TOTAL AUDIT &amp; INSPECTION FEE</b>	<b>173,000</b>	<b>173,000</b>

(1) Inspection fees are net of ODPM grant received.

(2) The grant claim audit continues until the end of 2003 and the actual fee reported is our current estimate of the likely fee for the 2002/03 certification work.

## Strategic regulation: future audit and inspection work

Strategic regulation contributes to improvement in public services by ensuring that regulators collaborate to identify each council's priorities for improvement, and provide assessments that are useful to managers, professionals, politicians and the public.

The future work programme for 2004/05 and beyond will be determined to a substantial degree by the issues raised in the Council's CPA. It will be proportionate both to the Council's inherent risks and to its assessed performance. To help to clarify its purpose, the work programme will be structured across the following themes:

- assessment
- improvement

- assurance.

Audit and inspection planning for 2004/05, closely linked to your improvement priorities, will be carried out in early 2004. This work will be undertaken by Mazars, the appointed auditor from 1 April 2004. We will work collaboratively with our successors during the transition period.

Key areas of work already included in our current programme of work that remain to be completed by March 2004 are:

- financial aspects of corporate governance (to include follow up of auditor judgement recommendations)
- core process review
- e-government follow up
- IT project management follow-up.

## Status of our Audit and Inspection Annual Letter

Our Annual Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. The Letter is prepared by the Relationship Manager and District Auditor and his team and is addressed to Members and officers. It is 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.

## Closing remarks

This Letter has been discussed and agreed with senior officers of the Council. A copy of the Letter has been provided to all Members and was presented to the Policy and Organisation Board on 12 November 2003.

Finally, I would like to take this opportunity to express my appreciation for the assistance and co-operation provided during the course of the past year. Our aim is to deliver a high standard of audit and inspection which makes a positive and practical contribution which supports the Council's improvement agenda. We recognise the value of your co-operation and support.



Martin Robinson  
District Auditor and Relationship Manager  
5 December 2003

## Audit and inspection reports issued during 2002/03 or currently under discussion

Title of report	Date issued	Current status
Audit and Inspection Plan 2002/04	April 2003	Final
Corporate Governance and Comprehensive Performance Assessment	October 2003	Final
Audit of the BVPP and BVPIs	November 2003	Final
Opinion Report	December 2003	Draft to be discussed with Officers
Annual Audit Letter (including opinion in Best Value Performance Plan)	December 2003	Final

## Auditor's Statutory Report on the Best Value Performance Plan

### Auditor's report to Gosport Borough Council on its Best Value Performance Plan for 2003/04

#### Certificate

I certify that I have audited Gosport Borough Council's Best Value Performance Plan in accordance with section 7 of the Local Government Act 1999 (the Act) and the Audit Commission's Code of Audit Practice. I also had regard to supplementary guidance issued by the Audit Commission.

#### Respective responsibilities of the Council and the Auditor

Under the Act the Council is required to prepare and publish a Best Value Performance Plan summarising the Council's assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council is responsible for the preparation of the plan and for the information and assessments set out within it. The Council is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its plan are derived. The form and content of the Best Value Performance Plan are prescribed in section 6 of the Act and statutory guidance issued by the Government.

As the Council's auditor, I am required under section 7 of the Act to carry out an audit of the Best Value Performance Plan, to certify that I have done so, and:

- to report whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Act and statutory guidance and, where appropriate, recommending how the plan should be amended so as to accord with statutory requirements
- to recommend:
  - where appropriate, procedures to be followed in relation to the plan
  - whether the Audit Commission should carry out a best value inspection of the Council/Authority under section 10 of the Act
  - whether the Secretary of State should give a direction under section 15 of the Act.

#### Opinion

##### Basis of this opinion

For the purpose of forming my opinion whether the plan was prepared and published in accordance with the legislation and with regard to statutory guidance, I conducted my audit in accordance with the Audit Commission's Code of Audit Practice. In carrying out my audit work, I also had regard to supplementary guidance issued by the Audit Commission.

I planned and performed my work so as to obtain all the information and explanations, which I considered necessary in order to provide an opinion on whether the plan has been prepared and published in accordance with statutory requirements.

In giving my opinion I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Council. My work therefore comprised a review and assessment of the plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy me that the plan includes those matters prescribed in

legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.

Where I have qualified my audit opinion on the plan I am required to recommend how the plan should be amended so as to comply in all significant respects with the legislation and statutory guidance.

### **Opinion**

In my opinion, Gosport Borough Council has prepared and published its Best Value Performance Plan in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance issued by the Government.

### **Recommendations on procedures followed in relation to the plan**

Where appropriate, I am required to recommend the procedures to be followed by the Council in relation to the plan.

### **Basis of recommendations**

For the purpose of making my recommendations, I conducted my audit in accordance with the Audit Commission's Code of Audit Practice. In carrying out my audit work, I also had regard to supplementary guidance issued by the Audit Commission.

I planned and performed my work so as to obtain all the information and explanations that I considered necessary in order to enable me to determine whether or not to make recommendations in this report on the matters that came to my attention during the audit. However, my work cannot be relied upon to identify every weakness or opportunity for improvement. In particular, it has not necessarily covered the same areas as a best value inspection.

For this purpose, my audit included a review and assessment, and where appropriate, examination on a test basis of evidence relevant to the adequacy of the systems set in place by the Council for collecting and recording specified performance information; and the testing of specific performance indicators.

### **Recommendations**

On the basis of our audit work, I do not consider that there are matters that should be brought to your attention.

### **Recommendations on referral to the Audit Commission/ Secretary of State**

I am required each year to recommend whether, on the basis of my audit work, the Audit Commission should carry out a best value inspection of the Council or whether the Secretary of State should give a direction.

### **On the basis of my work:**

- I do not recommend that the Audit Commission should carry out a best value inspection of Gosport Borough Council under section 10 of the Act
- I do not recommend that the Secretary of State should give a direction under section 15 of the Act.

**Signature**

**Date** 5 December 2003

