

Gosport Borough Council

Annual Audit Letter 2008/09

December 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.

Reports prepared by appointed auditors are addressed to Members or Officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to any Member or Officer in their individual capacity, or any third party.

Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of the Council's financial statements and the results of the work we have undertaken to assess the arrangements to secure value for money in the use of resources.

Audit opinion and statement of accounts

1. We gave an unqualified opinion on the Council's accounts on 24 September 2009.
2. The financial statements provided for audit were of a good standard and supported by comprehensive working papers. A number of matters arose during the audit of the financial statements. However, none of these were significant enough to affect a reader's understanding of the accounts. The errors that were not adjusted were immaterial to the financial statements.

Use of resources and value for money conclusion

3. In our Use of Resources Assessment, we concluded that the Council scored 2 out of a maximum of 4. This means that the Council is performing adequately and that we have no significant concerns over the arrangements put in place by the Council and that these arrangements meet established professional practice and guidance, and are operating effectively. There were, however, certain areas that are of concern as detailed in the Report to those charged with governance which was discussed at the Standards and Governance Committee on 10 September 2009.
4. We issued an unqualified value for money conclusion on 24 September 2009, stating that in all significant respects, Gosport Borough Council made proper arrangements to secure efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Actions

5. Key actions for the Council include:
 - Improving governance arrangements including relationships between members and officers and the induction and training of members; and
 - Updating the risk management policy and providing training to staff and members.

Financial statements and Annual Governance Statement

The financial statements and Annual Governance Statement are an important means by which the Council accounts for its stewardship of public funds.

Significant issues arising from the audit

6. We gave an unqualified opinion on the Council's financial statements on 24 September 2009.
7. In planning our work, we focused on a number of risk areas that we would need to review during our audit, including changes to CIPFA's 2008/09 Statement of Recommended Practice (SoRP), and the impairment of land and buildings. We were pleased to find that the Council had accounted correctly for these changes. There were several misstatements identified including one material error which was adjusted and one immaterial error which was not corrected. This was explained fully in the Report to those charged with governance presented to members at the Standards & Governance Committee meeting on 10 September 2009.

Material weaknesses in internal control

8. Our audit did not identify any material weaknesses in the Council's internal control arrangements. However, we identified a small number of areas where there was scope for improvement in procedures and controls which have been reported to the Council's officers.

Accounting practice and financial reporting

9. We considered the qualitative aspects of the Council's financial reporting and were satisfied that there were no specific issues that required to be reported in this letter.

Use of resources and value for money conclusion

We considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave scored use of resources judgements.

We also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

10. Use of resources is a qualitative assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. We assess the Council's performance against a range of key lines of enquiry (KLOEs) under three main themes; 'Managing finances', 'Governing the business'; and 'Managing resources'.
11. In forming our scored use of resources judgements, we have used the methodology set out in the Audit Commission's Use of Resources framework Judgements have been made for each KLOE using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest level of performance.
12. The Use of Resources framework which was introduced from 2008/09 is more demanding than the previous assessment. It is broader in scope and embraces wider resource issues, such as people and workforce planning, and the use of natural resources. It also places a greater emphasis on considering outcomes for local people.
13. The Council's use of resources theme scores are shown in the table below.

| Use of resources theme | Scored judgement |
|--|------------------|
| Managing Finances | 2 |
| KLOE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health? | 2 |
| KLOE 1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities? | 2 |
| KLOE 1.3 - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people? | 2 |

| Use of resources theme | Scored judgement |
|--|---------------------------|
| Governing the Business | 2 |
| KLOE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? | 2 |
| KLOE 2.2 - Does the organisation produce relevant and reliable data and information to support decision-making and manage performance? | 2 |
| KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance? | 2 |
| KLOE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control? | 2 |
| Managing Resources | 2 |
| KLOE 3.1 - Is the organisation making effective use of natural resources? | Not applicable in 2008/09 |
| KLOE 3.2 - Does the organisation manage assets effectively to help deliver its strategic priorities and service needs? | Not applicable in 2008/09 |
| KLOE 3.3 - Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities? | 2 |

Overall Conclusion

14. We have assessed the Council as level 2 in all areas. There are comparative strengths and weaknesses within each area, but an assessment at level 2 should be taken as indicating no significant concerns from our perspective against the overarching question set by the KLOE. The level 2 assessment also enabled us to give an unqualified value for money conclusion in respect of 2008/09, demonstrating that the Council has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
15. To improve its scores further the Council now needs to demonstrate outcomes for local people in key priority areas. In order to gain the best advantage from the Use of Resources assessment, the Council should take relevant action where it believes that actions and resources would be commensurate to the improvements gained.

VFM Conclusion

16. Each year, we are required to assess the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources against criteria specified by the Audit Commission. For 2008/09, the Audit Commission specified the use of resources KLOEs for the Council, as set out in the above table, as the relevant criteria for the VFM conclusion.
17. Where the scored judgement is 2 or above, we can conclude that the VFM criteria have been met. Therefore, as the Council scored 2 in all categories, we were able to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Other matters

Independence

18. We can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Fee information

19. The fee for the 2008/09 audit is in accordance with the budget we presented to the Council on our Audit & Inspection Plan.

| Audit area | Actual 2008/09 (£) |
|--|--------------------|
| Financial statements and annual governance statement | 65,600 |
| Value for money | 41,900 |
| Total audit fees | 107,500 |
| Non-audit work | 0 |
| Total fees | 107,500 |

Acknowledgements

20. During the course of the year, we have received considerable support and assistance from the Council's officers. We would like to take this opportunity to record our appreciation for the time they have made available to help us complete our work, and for their positive and constructive approach.