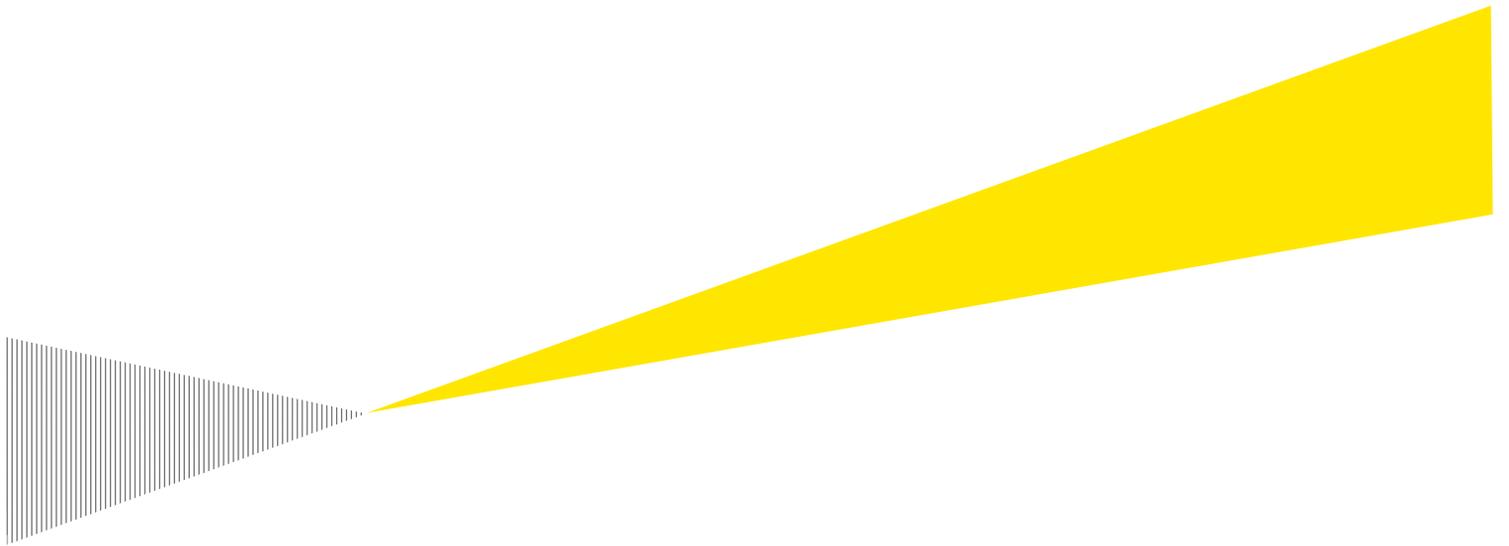


Gosport Borough Council

Year ending 31 March 2013

Annual Audit Letter

October 2013



Building a better
working world

The Members
Gosport Borough Council
Town Hall
High Street
Gosport
Hampshire
PO12 1EB

17 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Gosport Borough Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Gosport Borough Council in the following reports:

Audit Results Report for the year ended 31 March 2013	Issued 4 September 2013 and presented to members of the Standards and Governance Committee on 12 September 2013
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The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Gosport Borough Council for their assistance during the course of our work.

Yours faithfully



Helen Thompson
For and behalf of Ernst & Young LLP
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Contents

1. Executive summary	1
2. Key findings.....	3
3. Control themes and observations	5

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission.

The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 7 June 2013 and 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.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its 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 Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Gosport Borough Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 27 September 2013 we issued an unqualified audit opinion for the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 27 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Standards and Governance Committee) communicating significant findings resulting from our audit.	On 4 September 2013 we issued our report for the Authority. We presented our report to the 12 September 2013 Committee meeting.
Report to the National Audit Office (NAO) on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the NAO on 27 September 2013. There were no issues to highlight to the NAO.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.

No issues to report.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 27 September 2013 we issued our audit completion certificate.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 27 September 2013.

Our main findings in relation to the one area of risk included in our Audit Plan are set out below.

Financial statement risks:

Risk of misstatement due to fraud and error

- ▶ Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.
 - ▶ We undertook procedures required by auditing standards, and had no issues to report.
-

We highlighted the improvement in the quality of the financial statements and working papers submitted for audit. There were very few amendments required to the draft financial statements. None affected the level of the Authority's reserves. The most significant of these related to the disclosure of cash within the balance sheet. This was shown as two separate elements: cash and cash equivalents of £4,660,000 and overdraft of -£1,005,000. The overdraft amount should be included within the main cash and cash equivalent balance as it relates to the same cash holding account. The cash balance was therefore amended to £3,655,000. There was no overall effect on net assets.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ the organisation has proper arrangements in place for securing financial resilience; and
- ▶ the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 27 September 2013.

We did not identify any significant risks in relation to the value for money criteria and we set out our key findings in the table overleaf.

Area of focus:	Key findings:
Financial resilience	<ul style="list-style-type: none">▶ You have sound financial plans which properly reflect both your priorities and the significant financial challenges you face. In year you under spent against budget despite the increasing demand for Authority's services and strengthened your financial resilience by increasing your reserves in excess of the amounts planned at start of the year.
Economy, efficiency and effectiveness	<ul style="list-style-type: none">▶ Overall, you are a low spending Authority when compared to your statistical nearest neighbours. You reacted promptly to the Comprehensive Spending Review forecasts in 2010 and have implemented a comprehensive programme to reduce costs and maximise income. You have adopted prudent assumptions in your financial plans and are taking action to reduce your cost base further while looking for new ways of service provision by working in partnership with others.

2.3 Objections received

We did not receive any objections to the Authority's 2012/13 financial statements from members of the public.

2.4 Whole of government accounts

We reported to the National Audit Office (NAO) on 27 September 2013 the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts.

The Authority's submission falls under the thresholds for a full consistency check, therefore we were only required to review the consistency of the submission to the audited financial statements for:

- ▶ property, plant and equipment; and
- ▶ pensions liabilities.

We did not identify any areas of concern to report to the NAO.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.

We completed this work and did not identify any areas of concern.

2.6 Use of other powers

We identified no issues during our audit that would necessitate using powers under the Audit Commission Act 1998, including reporting in the public interest.

3. Control themes and observations

3.1 Internal controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we communicate to those charged with governance at the Authority, as required, significant deficiencies in internal control.

There were no matters that we identified during the 2012/13 audit that we concluded are of sufficient importance to merit being reported.

3.2 IT general controls

We reviewed the manage change and logical access controls in the Oracle E- Financials (General Ledger, Accounts Payable and Accounts Receivable) and Resource Link (Payroll) systems. Management have agreed to implement our audit recommendations to formalise these processes to provide an audit trail. There were no significant issues that we need to report to you.

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