

# Public Document Pack



## RUSHMOOR BOROUGH COUNCIL

### CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

*at the Council Offices, Farnborough on  
Wednesday, 2nd April, 2025 at 7.00 pm*

**To:**

Cllr Bill O'Donovan (Vice-Chairman)

Cllr Abe Allen  
Cllr A. Adeola  
Cllr Gaynor Austin  
Cllr C.W. Card  
Cllr Rhian Jones  
Cllr M.J. Roberts  
Cllr M.D. Smith  
Cllr Sarah Spall  
Cllr P.G. Taylor  
Cllr Jacqui Vosper

**Non-Voting Member:**

Mr. Tom Davies – Independent Member (Audit)

**Standing Deputies:**

Cllr Leola Card, Cllr Lisa Greenway, Cllr S.J. Masterson, Cllr T.W. Mitchell, Cllr M.J. Tennant

Enquiries regarding this agenda should be referred to the Committee Administrator,  
Lucy Bingham, Democratic Services, Tel. (01252 398128) or email  
[lucy.bingham@rushmoor.gov.uk](mailto:lucy.bingham@rushmoor.gov.uk).

# **A G E N D A**

1. **APPOINTMENT OF CHAIRMAN –**

To appoint a Chairman of the Corporate Governance, Audit and Standards Committee for the remainder of the 2024/25 Municipal Year.

2. **APPOINTMENT OF VICE-CHAIRMAN –**

To appoint a Vice-Chairman of the Corporate Governance, Audit and Standards Committee for the remainder of the 2024/25 Municipal Year.

3. **MINUTES –** (Pages 1 - 6)

To confirm the Minutes of the Meeting held on 29th January, 2025 (copy attached).

4. **APPOINTMENT OF INTERIM MANAGING DIRECTOR AND HEAD OF PAID SERVICE –** (Pages 7 - 10)

To consider the Leader of the Council's Report No. PEO2503 (copy attached), which provides a recommendation of the Member Appointment Panel for the position of Interim Managing Director and Head of Paid Service. The Leader of the Council will present this item and a representative of South East Employers, who provided professional assistance in the recruitment process, will also join the meeting. The Committee's recommendation will be submitted to the Council meeting on 10th April 2025 for approval.

5. **ACCOUNTING POLICIES FOR THE YEAR –** (Pages 11 - 34)

To consider the Executive Head of Finance's Report No. FIN2510 (copy attached), which reviews the proposed accounting policies to be applied for the closure of the 2024/25 accounts.

6. **INTERNAL AUDIT - AUDIT UPDATE ON 2024/25 –** (Pages 35 - 38)

To receive the Financial Governance Manager's Report No. AUD25/02 (copy attached), which provides a progress update on the 2024/25 Audit Plan.

7. **INTERNAL AUDIT - CHARTER AND AUDIT PLAN 2025/26 –** (Pages 39 - 72)

To consider Southern Internal Audit Partnership's (SIAP) Report (copy attached), which sets out the Internal Audit Charter and Internal Audit Plan for 2025/26 for approval.

8. **SELECTION OF MAYOR AND DEPUTY MAYOR 2025/26 –** (Pages 73 - 76)

To consider the Chief Executive's Report No. DEM2502 (copy attached), which sets out the current position on the selection process for the Mayor and Deputy Mayor for the 2025/26 Municipal Year.

## **PUBLIC PARTICIPATION AT MEETINGS**

Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm two working days prior to the meeting.

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# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Wednesday, 29th January, 2025 at the Council Offices, Farnborough at 7.00 pm.

## **Voting Members**

Cllr A.H. Crawford (Chairman)  
Cllr Bill O'Donovan (Vice-Chairman)

Cllr Gaynor Austin  
Cllr C.W. Card  
Cllr Lisa Greenway\*  
Cllr M.J. Roberts  
Cllr M.D. Smith  
Cllr Sarah Spall  
Cllr P.G. Taylor  
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr A. Adeola and Cllr Rhian Jones.

\*Cllr Lisa Greenway attended the meeting as a Standing Deputy.

## **Non-Voting Member**

Mr Tom Davies (ex officio) watched proceedings virtually.

## **28. MINUTES**

The minutes of the meeting held on 21st November 2024 were agreed and signed as a correct record of the proceedings.

## **29. PAY POLICY STATEMENT, GENDER PAY GAP AND ETHNICITY PAY GAP REPORT**

The Committee considered the Executive Director's Report No. PEO2501, which sought approval for a Pay Policy Statement for 2025/26. The Pay Policy Statement set out the framework within which pay was determined within the Council and provided an analysis comparing the remuneration of the Chief Executive with other employees of the Authority. The Report also set out the calculations of the Gender Pay Gap, which the Council was required to publish annually under the Equality Act 2010 (Specific Duties and Public Authorities Regulations 2017) and the Ethnicity Pay Gap, which was reported on for the first time.

The Committee noted that the comparisons looked at the ratio between the Chief Executive and the full-time equivalent salary for a permanent member of staff employed in the lowest grade within the structure. The ratio for 2025/26 was 1.5:74.

The second ratio included within the analysis looked at the relationship between the median remuneration of all staff compared to the Chief Executive. It was noted that the ratio for 2025/26 was 1.3:3.

The Committee noted that the mean gender pay gap equated to 12.75%, with the female average salary being lower than the male average salary. The gap had increased from 12.69% in the previous year. The median gender pay gap equated to 9.84%, with the female median rate being lower than the male median rate. The gap had increased slightly from 9.52% in the previous year.

The Committee noted it was not mandatory for the Council to provide an Ethnicity Pay Gap report and it was being voluntarily reported on for the first time to demonstrate the Council's commitment to equality, diversity and inclusion. The Ethnicity Pay Gap was calculated by comparing the average pay of white employees, with that of employees from black and minority ethnic groups (BAME). The mean ethnicity pay gap equated to 12.7%, with the non-white average salary being lower than the average white salary. The median ethnicity pay gap equated to 5.3% with the non-white median rate being lower than the white median rate. The ethnicity pay gap would be reported retrospectively, as of the 31st of March, in any year. The Council would consider how to address the ethnicity pay gap as part of its commitment to being a more inclusive organisation.

During discussion, Members raised questions regarding comparisons with other councils and, for a future report, a deeper data analysis of the gender pay gap at Rushmoor Borough Council.

The Committee

- (i) **RECOMMENDED TO THE COUNCIL** that approval be given to the Pay Policy Statement 2025/26, as set out in Appendix A of the Report;
- (ii) **RESOLVED** that the Gender Pay Gap calculations for 2023/24, as set out in the Report, be noted; and
- (iii) **RESOLVED** that the Ethnicity Pay Gap calculations for 2023/24, as set out in the Report, be noted.

### 30. **CONTRACT STANDING ORDERS - UPDATES**

The Committee considered the Assistant Chief Executive's Report No. ACE2504, which set out the Council's updated Procurement Contract Standing Orders (CSOs) for 2025. It was advised that the Procurement Act 2023 would commence on 24th February 2025, requiring the Council to review and update its CSOs within its Constitution. The revision of the Council's CSOs would allow the opportunity to closely align them with the Procurement Strategy 2025 – 2028, which had been approved by Cabinet on 26th November 2025. The revision of the Council's CSOs included a more pragmatic view on the procurement methodology used for contracts valued under £100,000, where the burden on the Council and businesses tendering for contracts would be more appropriate to the risk and the value, rather than being prescribed based on value alone.

During discussion, the Committee noted that Officers usually tried to obtain three quotes for goods, works and services. This was not always possible but best value was always sought.

The Committee **RECOMMENDED TO THE COUNCIL** that:

- (a) the updated CSOs, as set out in Appendix 1 of the Report, be adopted as part of the Council's Constitution; and
- (b) any additional, minor amendments, needed to finalise the CSOs, be agreed by the Assistant Chief Executive and Corporate Manager – Legal Services in consultation with the Chairman of the Corporate Governance, Audit and Standards Committee.

### 31. **ANNUAL CAPITAL STRATEGY 2025/26**

The Committee considered the Executive Head of Finance's Report No. FIN2506 which set out the proposed Capital Strategy for the year 2025/26 to 2027/28, including the Prudential Indicators for capital finance for 2025/26. The Report gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services, along with an overview of how associated risk was managed and the implications for future financial sustainability. The Strategy had been written in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) "Prudential Code" and the "Treasury Management Code of Practice" 2021, and the Department for Levelling Up, Housing and Communities (DLUHC) guidance on Local Government Investment.

The Committee was advised that decisions made during the year on capital and treasury management would have financial consequences for the Authority for many years into the future. They were therefore subject to both a national regulatory framework and to local policy framework, which were summarised in the Report.

The Committee noted that the estimated Capital Expenditure for 2025/26 was £10.1m, for the main capital projects, which included, the completion of the Aldershot Crematorium upgrade and the regeneration activity at Union Yard, Aldershot.

The Committee **RECOMMENDED TO THE COUNCIL** that the Capital Strategy for 2025/26 to 2027/28 and Prudential Indicators for 2025/2026, as set out in the Executive Head of Finance Report No. FIN2506, be approved.

### 32. **QUARTERLY REPORT OF TREASURY PRUDENTIAL INDICATORS (Q3)**

The Committee received the Executive Head of Finance's Report No. FIN2423, which set out the activities of the Treasury Management and Non-Treasury Investment Operations for Quarter 3 in the financial year 2024/25 and reported on compliance with Prudential Indicators, as required by the CIPFA Code for Local Authorities.

The Committee noted that all treasury activity was conducted within the approved Treasury Management Practices (TMPs). It was advised that the majority of borrowing during 2024/25 had been short-term Local Authority (LA). However, the Public Works Loan Board (PWLB) interest rate for the current quarter was lower than LA rates and therefore some borrowing was secured with PWLB for 18 months. This was seen to diversify the borrowing held by the Council.

**RESOLVED:** That the Executive Head of Finance Report No. FIN2312 be noted.

33. **ANNUAL TREASURY MANAGEMENT AND NON-TREASURY MANAGEMENT STRATEGY 2025/26**

The Committee considered the Executive Head of Finance's Report No. FIN2504 which set out the proposed Treasury Management Strategy and Non-Treasury Investment Strategy for the year 2025-26, including the borrowing and investment strategies and treasury management indicators for capital finance for 2025-26 and the Minimum Revenue Provision (MRP) Statement.

Treasury Risk Management at the Council was conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which required approval of a treasury management strategy before the start of each financial year. The Executive Head of Finance's Report No. FIN2504 fulfilled the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The CIPFA Code also required the Authority to have a separate Non-Treasury Investment Strategy (as set out in Appendix 2 to the report) which had to be approved before April 2025. Local authorities were also required, by regulation, to have regard to the provisions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) 2021.

The report set out the purpose, functions and activities of the treasury management operation and the non-treasury investment management operations and set out the Treasury Management Strategy, Annual Borrowing Strategy and Annual Treasury Management Investment Strategy (Appendix 1), Non-Treasury Investment Strategy (Appendix 2) and the Council's Minimum Revenue Provision (MRP) Statement (Appendix 3). These policies and parameters provided an approved framework within which officers undertook the day-to-day capital, treasury and non-treasury investment activities.

The Committee

(i) **RECOMMENDED TO THE COUNCIL** that:

(a) the Treasury Management Strategy 2025-26 and the Annual Borrowing Strategy 2025-26 (as set out in Appendix 1 of the Executive Head of Finance Report No. FIN2504) be approved;

(b) the Annual Non-Treasury Investment Strategy 2025-26 (set out in Appendix 2) be approved; and



(c) the Minimum Revenue Provision (MRP) Statement (set out in Appendix 3) be approved.

#### **34. ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION - UPDATE**

The Chairman welcomed Simon Mathers, Director and Kalthiemah Abrahams, Audit Manager, from the Council's external auditors, Ernst and Young (EY), who joined the meeting remotely via Microsoft Teams.

The Committee received the Executive Head of Finance's Report No. FIN2422 which set out the 2023/24 accounts which required approval in line with the statutory Local Government Audit backstop position and included an update on final audit reports for 2020/21, 2021/22 and 2022/23.

The Committee heard, from Mr. Mathers, that the accounts for 2020/21, 2021/22, and 2022/23 had been published with a disclaimed audit opinion. Due to prior years having been a disclaimed opinion, and therefore not having reasonable assurance for prior years balances brought forward, the external auditors could only give limited assurance for 2024/25 rather than a clear audit opinion. Therefore, the financial statements in 2023/24 would again have a disclaimed audit opinion.

During discussion, the Committee were advised that other councils had also been affected by the backlog in local audit. The earliest point that EY could give an unmodified opinion, was the 2026/27 financial year, which was also the case for any council that had been subject to the reset arrangement. Members raised questions regarding 'going concerns', as well as uncorrected mis-statements. EY expected all uncorrected mis-statements to be corrected in the final version of the statements.

**RESOLVED:** That:

- (i) approval of the Statement of Accounts for 2023/24 be delegated to the Chair of the Corporate Governance, Standards and Audit Committee and the S151 Officer;
- (ii) the signing of the Letter of Representation for 2023/24 be delegated to the Chair of the Corporate Governance, Standards and Audit Committee and the S151 Officer;
- (iii) the 2023/24 accounts be confirmed as having been prepared on a going concern basis;
- (iv) the Auditors Results Report be noted; and
- (v) the completion of Audits for 2020/21, 2021/22 and 2022/23 be noted.

#### **35. INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Audit Manager's Report No. AUD2501 which provided an overview of the work finalised for the 2023/24 Audit Plan, a progress update on the 2024/25 Audit Plan and a schedule of work to be delivered in Q4.

During discussion, the Committee noted that Procurement Card Guidance had been issued to Council staff and that the new system was a substantial improvement. It was requested that the Procurement Card Guidance for staff be shared with Members.

**RESOLVED:** That:

- (i) the completed audit work be noted, and;
- (ii) the progress to date towards the 2024/25 Audit Plan be noted.

The meeting closed at 9.07 pm.

CLLR A.H. CRAWFORD (CHAIRMAN)

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**CORPORATE  
GOVERNANCE, AUDIT  
AND STANDARDS  
COMMITTEE  
2<sup>nd</sup> APRIL 2025**

**CLLR GARETH WILLIAMS  
LEADER OF THE COUNCIL  
REPORT NO: PEO2503**

## **APPOINTMENT OF INTERIM MANAGING DIRECTOR AND HEAD OF PAID SERVICE**

### **SUMMARY AND RECOMMENDATIONS:**

The report sets out the process undertaken for the recruitment of the Council's Interim Managing Director and Head of Paid Service as approved by Council on the 5<sup>th</sup> February 2025.

In accordance with the Constitution, the recommendation for the appointment of the preferred candidate is made by the Corporate Governance, Audit and Standards Committee to Council.

### **Recommendation**

That the Committee recommends to the Council to proceed as outlined within the report and specifically;

1. the appointment of Ian Harrison as the Council's Interim Managing Director and Head of Paid Service with effect from the 11<sup>th</sup> April 2025 for an initial period of 6 months
2. That the post of Corporate Manager – Legal Services be designated as the Council's Monitoring Officer from the 11<sup>th</sup> April 2025 for an initial period of 6 months

## **1. INTRODUCTION**

- 1.1 This report sets out the recommendation of the Corporate Governance, Audit and Standards Committee following the completion of the recruitment process for the Council's Interim Managing Director and Head of Paid Service.

## **2. DETAILS**

- 2.1 The Council's Chief Executive, Paul Shackley is leaving the Council on the 6<sup>th</sup> May 2025 for reasons of redundancy. A recruitment process in line with the constitution and supported by South East Employers concluded on the 11<sup>th</sup> March 2025. This approach was agreed by the Council on the 5<sup>th</sup> February 2025.

- 2.2 The recruitment panel consisted of five Members, comprising The Leader of the Council, the Leader of the Conservative Group, the Leader of the Liberal Democrats Group, the Portfolio Holder of Finance & Resources and the Portfolio Holder of Pride in Place/Neighbourhood Services. The Director of HR & Employee Services from South East Employers was the key advisor to the panel throughout the process.
- 2.3 A revised Job Description and Person Specification for the role of Interim Managing Director was agreed, including the statutory responsibilities of Head of Paid Service, the Borough's Electoral Registration Officer and Returning Officer.
- 2.4 Members of the Executive Leadership Team were all invited to apply for the role. To assess their suitability, those members who applied were required to deliver a presentation followed by undertaking a formal interview session.
- 2.5 At the conclusion of this selection process, the recruitment panel has recommended that Ian Harrison, Executive Director be appointed to the role with effect from the 11<sup>th</sup> April 2025 for an initial period of 6 months.
- 2.6 The role of Head of Paid Service cannot carry the designation of Monitoring Officer (MO). The designation of the MO is there to ensure that the Council acts legally at all times. It is proposed that the role best suited for this designation is the Council's Corporate Manager – Legal Services. The current postholder is leaving the role on the 16<sup>th</sup> May 2025. By designating this role as the Council's MO the current postholder will carry the responsibility until the leaving date and then a new interim postholder will take over from this date. The interim postholder will then be appointed into the designated role in line with the constitution and the proper officer arrangements.
- 2.7 With the appointment of Head of Paid Service being made from the 11<sup>th</sup> April 2025 the existing Chief Executive will focus on handover and supporting the new role and the Leader ahead of his departure on the 6<sup>th</sup> May 2025.

### **3. IMPLICATIONS**

#### **Legal Implications**

- 3.1 No additional implications beyond the report to Council 5<sup>th</sup> February 2025 with the exception of the redesignation of the MO role to the Corporate Manager – Legal Services post. The Monitoring Officer role is a statutory role under Section 5 of the Local Government and Housing Act 1989.

#### **Financial Implications**

- 3.2 The previous report to Council highlighted a saving of £179,000 pa with no Chief Executive role. This proposal has an additional cost of £8,420 for the next 6 months.

### **Resource Implications**

- 3.3 No additional implications beyond the report to Council 5<sup>th</sup> February 2025

### **Equalities Impact Implications**

- 3.4 No additional implications beyond the report to Council 5<sup>th</sup> February 2025

## **4. CONCLUSION**

- 4.1 This report follows the report approved by the Council on the 5<sup>th</sup> February 2025 and puts in place arrangements for the Head of Paid Service and Monitoring officer functions for the next 6 months.

**Report Author:** Belinda Tam, Corporate Manager – People

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**CORPORATE GOVERNANCE, AUDIT  
AND STANDARDS COMMITTEE****EXECUTIVE HEAD OF FINANCE****2 APRIL 2025****REPORT NO. FIN2510****KEY DECISION? NO****ACCOUNTING POLICIES FOR THE YEAR 2024/25****SUMMARY AND RECOMMENDATIONS:**

This report reviews the proposed accounting policies to be applied for the closure of the 2024/25 accounts. These are prepared in line with Chartered Institute of Public Finance Accountants (CIPFA) Code of Practice on Local Authority Accounting in the UK (the Code). Adopting the policies supports timely and robust production of a high-quality set of annual accounts. In addition, this report notifies members of the nature of updated disclosures required and reviews the internal level of materiality.

**RECOMMENDATION:**

- (i) Corporate Governance, Audit and Standards Committee adopt the accounting policies including the amendment disclosed at Appendix 1 for closure of the 2024/25; and,
- (ii) The Committee notes the updated disclosures and internal level of materiality to be included within the statement of accounts for 2024/25.

**1. INTRODUCTION**

- 1.1. Local authorities in the United Kingdom are required to prepare their accounts in compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is developed each year by CIPFA/LASAAC (Local Authority Scotland Accounts Advisory Committee) and has effect for financial years commencing on or after 1 April each year.
- 1.2. The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority.
- 1.3. As part of its Annual Statement of Accounts, the Council needs to disclose the accounting policies it has applied in the preparation of the Accounts.
- 1.4. The Corporate Governance, Audit and Standards committee is charged with responsibility for the oversight of financial reporting integrity and plays a pivotal role in helping to ensure that the critical accounting policies,

judgments and estimates applied by management present a fair and accurate picture of the Council's financial position.

## **2. BACKGROUND**

- 2.1. Annually the Finance team review the Accounting Policies in line with each new years CIPFA Code to ensure the current Accounting Policies are in line with the statutory requirements as set out.
- 2.2. During 2024/25 the Finance team have undertaken a review to ensure the policies are appropriate and provide the users of the accounts with a true and fair view of the Councils financial position.
- 2.3. The Accounting Policies enable the Committee to understand and evaluate the facts, economics and financial reporting requirements surrounding each critical accounting judgment and estimate and is sufficiently satisfied that management's accounting policies, judgements and estimates are fit for purpose.

## **3. CHANGES FOR 2024/25**

### **Accounting Policies**

- 3.1. The accounting policies have not changed compared to the policies applied for the previous financial year (2023/24), other than for the following reasons:
  - (a) Updated the [xvii. Leases](#) policy to appropriately reflect the requirements of the new IFRS16 Accounting Standard.
  - (b) Updated the measurement of [xix. Property, Plant & Equipment](#) policy to enable the Council to capitalise borrowing costs for assets under construction.
  - (c) Included capitalisation materiality levels in [xix. Property, Plant & Equipment](#) for clarity. This is not a change in treatment, but inclusion of a de minimis level for clarity.
  - (d) Included a de minimis level for accruals in [ii. Accruals of Income and Expenditure](#). This is not a change in treatment, but inclusion of a de minimis level for clarity.
  - (e) Date references relating to the financial year 2023/24 applicable to some of the accounting policies have been updated.

The final update will be [vii. Employee Benefits in regard to the Local Government Pension Scheme](#) discount rate which will be informed by the IAS19 Pensions report from the Pensions Actuary. This will be provided to the Council during the year end process.

These accounting policies do not depart from the provisions of the 2024/25 Code.

### **Materiality**



- 3.2. The External Auditors for the Council, Ernst & Young, have set a financial materiality level for the 2024/25 audit. This is £2.027m which equates to 2% of previous year gross expenditure on provision of services.
- 3.3. Members should however note that the materiality can be reflection of nature as well financial value. Therefore, there can be materiality judgements which are usually particularly sensitive. These include:
  - (a) Transactions with related parties
  - (b) Sensitive matters, such as fraud and non-compliance with law
  - (c) Unusual or non-recurring transactions/balances.The underlying guidance requires the accounts to give a 'true and fair' view of the financial position of the council for users of the accounts.

### **Disclosures**

- 3.4. The Finance team have reviewed the statement of accounts for potential disclosure amendments against materiality for the Council to minimise unnecessary disclosures as per CIPFA code guidance to declutter the accounts. The preparations for 2024/25 accounts have commenced and disclosures will be reviewed against the previous years' disclosures in line with above stated level of materiality.
- 3.5. No additional requirements for disclosures are set out in the 2024/25 CIPFA Code.

## **4. CHANGES FOR 2025/26**

- 4.1. Best practice is to agree the Accounting Policies for the upcoming year ahead of year end. The 2025/26 CIPFA Code has not yet been published, however there are no known material changes for 2025/26.
- 4.2. To ensure appropriate consideration of these changes and the necessary changes to the Accounting Policies for 2025/26, it is proposed to present the 2025/26 Accounting Policies later in the year, once the CIPFA Code 2025/26 has been published, to give officers sufficient time to consider the changes in full.

## **5. IMPLICATIONS (of proposed course of action)**

### **Risks**

- 5.1. There is a risk that if the accounts are non-compliant with statutory regulations, the Council's Statement of Accounts will receive material recommendations, and may not be signed off by the Councils external auditors in line with statutory deadlines. This will have reputational risk and require additional resources to rectify issues as appropriate.

### **Legal Implications**

- 5.2. The Council has a duty to provide accurate and appropriate accounts. In compiling these it has a duty to comply with relevant guidance and standards. Whilst the changes have no direct legal impacts, they support appropriate oversight of the Council's financial health.

### **Financial and Resource Implications**

- 5.3. The accounts will be completed within current agreed budgets and staffing resource.

### **Equalities Impact Implications**

- 5.4. There are no direct implications in this report.

### **Other**

- 5.5. There are no direct implications in this report.

## **6. CONCLUSIONS**

- 6.1. This report states the changes to the accounting policies, informs members of additional/amended disclosures and the level of internal materiality to be applied in the Annual Statement of Accounts for 2024/25.
- 6.2. An approved set of accounting policies enable the Finance team to complete the Annual Statement of Accounts with considered rules and assumptions and provide clarity to the readers of the Accounts as to how they have been prepared.

### **LIST OF APPENDICES/ANNEXES:**

Annexe 1 - Accounting Policies – Draft 2024/25

### **BACKGROUND DOCUMENTS:**

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes For 2024/25 Accounts

### **CONTACT DETAILS:**

**Report Author** – Rosie Plaistowe-Melham, [rosie.plaistowe@rushmoor.gov.uk](mailto:rosie.plaistowe@rushmoor.gov.uk)  
**Head of Service** – Peter Vickers, [peter.vickers@rushmoor.gov.uk](mailto:peter.vickers@rushmoor.gov.uk)

## Note 1 - Accounting Policies

### i. General Principles

The statements of account summarise the authority's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected. The de minimis for the accrual of a single item is £2,000.

### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than one month or less from the date of

acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

#### iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless not material or stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### v. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written-off.
- amortisation of intangible fixed assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or the statutory repayment of loans fund advances. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance MRP or the statutory repayment of loans fund advances, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

#### vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e., the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## vii. Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g., time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

## Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## Post-employment Benefits

Employees of the authority are members of one pension scheme:

- the Local Government Pensions Scheme, administered by Hampshire County Council.

This scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

## The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Hampshire County Council's pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of X.X% (TBC by actuary) based on the indicative rate of return on high quality corporate bond.
- The assets of Hampshire County Council's pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The change in the net pension liability is analysed into the following components:

## Service cost comprising

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement
- net interest on the net defined benefit liability (asset), i.e., net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

#### Remeasurements comprising

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Hampshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### viii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## ix. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- Amortised cost,
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).



### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the CIES.

### Expected Credit Loss Model

The Council recognises expected credit loss on all its financial assets held at amortised cost or FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### Financial Assets Measured at Fair Value through Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

### Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

### Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement data.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES and are balanced by entries in the Pooled Investment Fund Adjustment Account (PIFAA).

## x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific

grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

## xi. Heritage Assets

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and a statue. They are all held in support of their primary objective of contributing to knowledge and culture and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority's accounting policies on property, plant and equipment.

## xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at cost less accumulated depreciation and any accumulated impairment loss. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

## xiii. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

#### xiv. Long-term contracts

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

#### xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

#### xvi. Jointly Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

## xvii. Leases

### Definition of a Lease

At inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council assesses whether:

- The contract involves the use of an identified asset
- The Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- The Council has the right to direct the use of the asset

### The Council as Lessee

#### Recognition and Measurement

The Council recognises right-of-use assets and lease liabilities at the lease commencement date. The right-of-use assets are initially measured at cost, which comprises:

- The initial amount of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the Council
- An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site or restoring the asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset to the Council by the end of the lease term or if the cost of the right-of-use asset reflects that the Council will exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price of a purchase option if the Council is reasonably certain to exercise that option

- Payments of penalties for terminating the lease, if the lease term reflects the Council exercising an option to terminate the lease

The lease liability is subsequently measured by:

- Increasing the carrying amount to reflect interest on the lease liability
- Reducing the carrying amount to reflect the lease payments made
- Remeasuring the carrying amount to reflect any reassessment or lease modifications

When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset or recorded in the Comprehensive Income and Expenditure Statement if the carrying amount of the right-of-use asset has been reduced to zero.

### Practical Expedients and Exemptions

The Council has elected not to recognise right-of-use assets and lease liabilities for:

- Short-term leases that have a lease term of 12 months or less
- Leases of low-value assets (assets with a value of less than £10,000 when new)

The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### The Council as Lessor

When the Council acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and replaced by a long-term debtor in the Balance Sheet valued on the future payments expected to be received under the lease.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

#### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is

credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

## Sale and Leaseback Transactions

Where the Council sells an asset and immediately leases it back, the transaction is accounted for based on whether the transfer of the asset qualifies as a sale under IFRS 15 Revenue from Contracts with Customers.

### Transfer Qualifies as a Sale

If the transfer of the asset satisfies the requirements of IFRS 15 to be accounted for as a sale:

- The Council derecognises the asset and recognises a right-of-use asset arising from the leaseback at the proportion of the previous carrying amount that relates to the right of use retained.
- The Council recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.
- The right-of-use asset is adjusted for any below-market terms which are accounted for as a prepayment of lease payments.
- The lease liability is recognised in accordance with the Council's standard lease accounting policy.

### Transfer Does Not Qualify as a Sale

If the transfer of the asset does not satisfy the requirements of IFRS 15 to be accounted for as a sale:

- The Council continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.
- The financial liability is accounted for in accordance with IFRS 9 Financial Instruments.
- No gain or loss is recognised on the transaction.

## Lease Modifications

### As Lessee

The Council accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope

For a lease modification that is not accounted for as a separate lease, the Council:

- Allocates the consideration in the modified contract
- Determines the lease term of the modified lease
- Remeasures the lease liability by discounting the revised lease payments using a revised discount rate
- Decreases the carrying amount of the right-of-use asset to reflect partial or full termination of the lease for modifications that decrease the scope of the lease
- Makes a corresponding adjustment to the right-of-use asset for all other lease modifications



## As Lessor

For a modification to a finance lease, the Council accounts for the modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope

For a modification to an operating lease, the Council accounts for the modification as a new lease from the effective date of the modification.

## Transition Arrangements

The Council has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

For leases previously classified as operating leases under IAS 17, the Council has:

- Recognised right-of-use assets and lease liabilities in the Balance Sheet, initially measured at the present value of the remaining lease payments, discounted using the Council's incremental borrowing rate at the date of initial application
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

For leases previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

## xviii. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

## xix. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.



The Council has set a de minimis level for the recognition of Land & Building assets of £20,000, and a de minimis level for Vehicles, Plant & Equipment (including Information Technology equipment) assets of £10,000.

### Measurement

Assets are initially measured at cost, comprising:

- purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income and expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the

relevant service line(s) in the Comprehensive Income and Expenditure Statement.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all material Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the remaining useful life of the asset.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals and Non-current Assets Held for Sale:

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair

value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the capital receipts reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## xx. Provisions, Contingent Liabilities and Assets

### Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the authority a present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### Contingent assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not

represent usable resources for the Council – these reserves are explained in the relevant notes.

## xxii. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## xxiii. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

## xxiv. Fair value measurement of non-financial assets

The authority's accounting policy for fair value measurement of financial assets is set out in note ix. The authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset, or
- b) in the absence of a principal market, in the most advantageous market for the asset.

The authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

2<sup>nd</sup> APRIL 2025**INTERNAL AUDIT – AUDIT UPDATE****SUMMARY:**

This report describes:

- An update on the audits finalised since the last update report to Committee in January 2025 and a summary of the progress towards the 2024/25 audit plan.

**RECOMMENDATION:**

Members are requested to:

- Note the audit work completed.
- Note the progress to date towards the 2024/25 audit plan.

**1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work finalised for the 2023/24 audit plan;
- A progress update on the 2024/25 Audit Plan; and
- A schedule of work to be delivered in Q4.

**2 Audit Work Completed**

2.1 The table below provides an overview of the assurance opinion, given to the completed audits since the last update in January 2025:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
<b>2023/24 Internal Audit Plan</b>				
Homes for Ukraine Fund	Reasonable	2	9	1

2.2 Below is a summary of the key findings from the audits.

**Homes for Ukraine fund**

Funding has been received by Rushmoor Borough Council in response to the arrival of Ukrainian nationals into the borough through the Homes for Ukraine resettlement scheme. Review of the administration and use of the fund identified the following weaknesses:

- Virements have not being utilised were appropriate to ensure that budgets reflect the correct financial position.

- No process is in place for awarding financial support or record keeping.
- £50,000 award received in error from HCC.
- Ongoing costs resulting from property purchase not forecast or budgeted for.
- No formal performance reporting.
- No formal planning or proactive measures to maximise the use of the fund.

### 3 Progress towards the Audit Plan

3.1 The table below provides a summary of progress to date (19/03/25):

2023/24 audit plan progress

Audit/ Audit follow up status	Number of reviews	%
Finalised	13	81.25
Draft report	1	6.25
In progress	0	0
Audits removed	2	12.5
	<b>16</b>	<b>100</b>
Audits to be started	0	0
<b>Total</b>	<b>16</b>	<b>100</b>

2024/25 audit plan progress

Audit/ Audit follow up status	Number of reviews	%
Finalised	2	15.5
Draft report	5	38.5
In progress	6	46
Audits removed	0	0
	<b>13</b>	<b>100</b>
Audits to be started	0	0
<b>Total</b>	<b>13</b>	<b>100</b>

### 4. Expected Deliverables for 2024/25

4.1 The work expected to be delivered for inclusion within the annual audit opinion is detailed within the table below. These audits can be subject to change due to the evolving auditing environment. Updates on these will be provide at the next committee meeting:

Service	Audit/ follow up/descriptor
Operations	<b>Disabled Facilities Grants</b> – To review the DFG process.
ELT	<b>Rushmoor Homes Limited</b> - Review the processes in place for RBC involvement with RHL including the process for drawing down funding. (23/24)



Service	Audit/ follow up/descriptor
Finance	<b>Effectiveness of financial rules and processes &amp; compliance with financial regulations</b> - To review the effectiveness of processes in place and compliance.
Finance	<b>Capital Programme</b> – To review the process for developing and agreeing the annual capital programme.
Democracy	<b>Elections</b> - To review the implementation of the new election’s legislation and data security.
ACE	<b>Local Authority Housing Fund</b> - To review the spending of the fund to ensure in line with requirements.
Finance	<b>National Non-Domestic Rates (NNDR)</b> – Key financial system
Finance	<b>Sales Ledger</b> – Key financial system
Finance	<b>Financial Management System (FMS) &amp; Bank Reconciliation</b> – Key financial system
Regeneration	<b>Union Yard</b> – A review of the project including governance and finances.
IT	<b>Pay 360</b> – A review of the update to the 360 system.
Property & Growth	<b>Biodiversity</b> - A review to ensure that the appropriate processes have been implemented to meet the new legislation.

## 5. Recommendation

5.1 Members are requested to note the information provided within the report in relation to the progress of Audit work to date towards the 2024/25 audit plan, and the expected deliverables.

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**HEAD OF SERVICE:** Peter Vickers, Executive Head of Financial Services and S151 Officer

### References:

*Internal Audit – Audit Plan 2024/25*, presented to the Committee on 20 March 2024.  
[Agenda for Corporate Governance, Audit and Standards Committee on Wednesday, 20th March, 2024, 7.00 pm - Rushmoor Borough Council](#)

*Internal Audit – Audit Plan 2023/24*, presented to the Committee on 27 March 2023.  
[Agenda for Corporate Governance, Audit and Standards Committee on Monday, 27th March, 2023, 7.00 pm - Rushmoor Borough Council](#)

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2<sup>nd</sup> April 2025**INTERNAL AUDIT CHARTER & INTERNAL AUDIT PLAN 2025-26****SUMMARY:**

As required by the Global Internal Audit Standards in UK Public Sector this report presents the Internal Audit Charter and the Internal Audit Plan 2025 – 26.

- The Internal Audit Charter (Appendix A) is a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications.
- The Internal Audit Plan (Appendix B) is a document, developed by the Chief Internal Auditor, that identifies the engagements and other internal audit services anticipated to be provided during a given period.

**RECOMMENDATION:**

Members are requested to provide input to and approve the:

- i. Internal Audit Charter 2025-26 (Appendix A); and
- ii. Internal Audit Plan 2025-26 (Appendix B)

**1 Introduction**

- 1.1 The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

*'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*

- 1.2 From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards (GIAS), Application Note: Global Internal Audit Standards in the UK Public Sector (Application Note) and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector (the Standards).
- 1.3 The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

- 1.4 The Standards (6.2) require all internal audit providers to implement and maintain an 'Internal Audit Charter'. The internal audit charter is defined as *'a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications.'*
- 1.5 Standard 11.3 (Communicating Results) references the possibility that a chief internal auditor may be required to make a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control.
- 1.6 Section 10B of the Application Note makes it a mandatory requirement in the UK public sector, for the chief internal auditor to prepare such an overall conclusion at least annually in support of wider governance reporting. This overall conclusion must encompass governance, risk management and control. The requirement for an overall conclusion must also inform planning carried out under GIAS Standard 9.4 (Internal Audit Plan).
- 1.7 In accordance with the Standards (9.4) there is a requirement that internal audit must create a risk-based internal audit plan that supports the achievement of the organisation's objectives. The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to fulfil the audit mandate and delivery of the internal audit strategy.
- 1.8 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:
- The framework of internal control, risk management and governance is appropriate and operating effectively; and
  - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

#### **Internal Audit Charter 2025-26**

- 1.9 The internal audit charter is reported to the Corporate Governance Audit & Standards Committee annually for review and approval and it has been updated to reflect the requirements of the new Standards. A copy is attached as Appendix A.

## **Internal Audit Plan 2025-26**

- 1.10 The proposed risk based internal audit plan for 2025-26 is attached at Appendix B and has been developed at a strategic level providing a value adding, and proportionate level of assurance aligned to the Council's strategic outcomes. It is based on a range of inputs including review of the Council's strategic risk register, sector knowledge and discussions with management teams.
- 1.11 Internal audit focus should be proportionate and appropriately aligned, and as such, only high and medium priority reviews identified during the planning process are incorporated within the Internal Audit Plan. The exception to this is where 'mandatory' audits (for example to certify the accuracy of grant claims to meet funding requirements) or specific management requests have been raised, and sufficient capacity is available.
- 1.12 The audit plan will remain fluid to ensure internal audit's ability to react to the changing needs of the Council. Any additions to the plan must be able to clearly demonstrate a contribution to the audit conclusion on risk management, control and governance.
- 1.13 Any changes to the plan (including advisory assignments) will be transparently reported to the Executive Leadership Team and the Corporate Governance Audit & Standards Committee during the course of the year for approval as part of our regular Progress Reports.
- 1.14 The Internal Audit Charter ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit conclusion.
- 1.15 Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Corporate Governance Audit & Scrutiny Committee, through regular progress reports.
- 1.16 The endorsement and sponsorship of the plan(s) at member / chief officer level will assist in providing the engagement and buy-in of staff at an operational level to ensure the outcome of audit reviews are optimised.

## **2 Recommendation**

- 2.1 Members are requested to provide input to and approve the Internal Audit Charter 2025-26 (Appendix A); and Internal Audit Plan 2025-26 (Appendix B).

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**HEAD OF SERVICE:** Peter Vickers, Executive Head of Financial Services and S151  
Officer

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# **Southern Internal Audit Partnership**

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## **RUSHMOOR BOROUGH COUNCIL INTERNAL AUDIT PLAN 2025/26**

**Prepared by: Neil Pitman, Head of Southern Internal Audit Partnership**

**March 2025**

## Introduction

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

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*'5. (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*

The scope of internal audit includes both assurance and advisory services covering the entire breadth of the Council, including all activities, assets, and personnel of the organisation.

The role of internal audit is that of an:

*'Independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes'.*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, the Executive Leadership Team and the Corporate Governance Audit & Standards Committee, in relation to the business activities; systems and processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.



## Conformance with internal auditing standards

From 1 April 2025, the 'standards or guidance' in relation to internal audit are those laid down in the Global Internal Audit Standards, Application Note: Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government. The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector.

The Southern Internal Audit Partnership have made all necessary adaptations to its processes, procedures and practices to ensure it is best placed to conform with these requirements with effect from 1 April 2025.

Prior to 1 April 2025 conformance was required to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there was a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

*'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'*

*'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'*

Despite the change in the Standards any external quality assessment undertaken under the Public Sector Internal Audit Standards remains valid for the duration of the successive five years (from the date it was undertaken). The Southern Internal Audit Partnership will be commissioning an external quality assessment against the Global Internal Audit Standards in the UK Public Sector during 2025.

## Developing the internal audit plan 2025/26

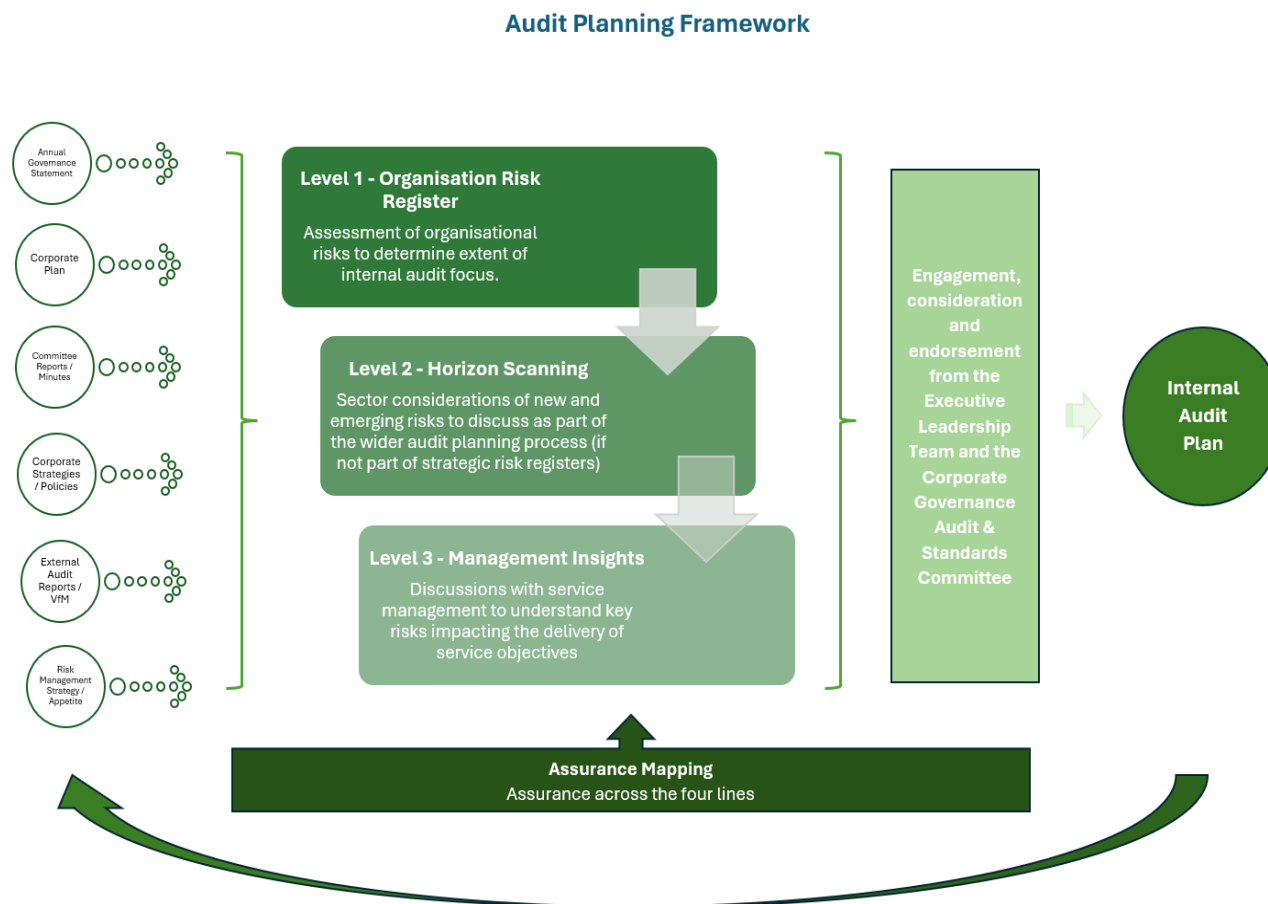
In accordance with the Global Internal Audit Standards in the UK Public Sector there is a requirement that internal audit must create a risk-based internal audit plan that supports the achievement of the organisation’s objectives. The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to fulfil the audit mandate and delivery of the internal audit strategy.

The risk-based internal audit plan is prepared based on a range of inputs (see diagram).

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, the Executive Leadership Team and Corporate Governance Audit & Standards Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Amendments to the plan will be identified through the Chief Internal Auditor’s continued contact and liaison with those responsible for the governance of the Council and reported and approved by the Executive Leadership Team and Corporate Governance Audit & Standards Committee through regular progress reports.

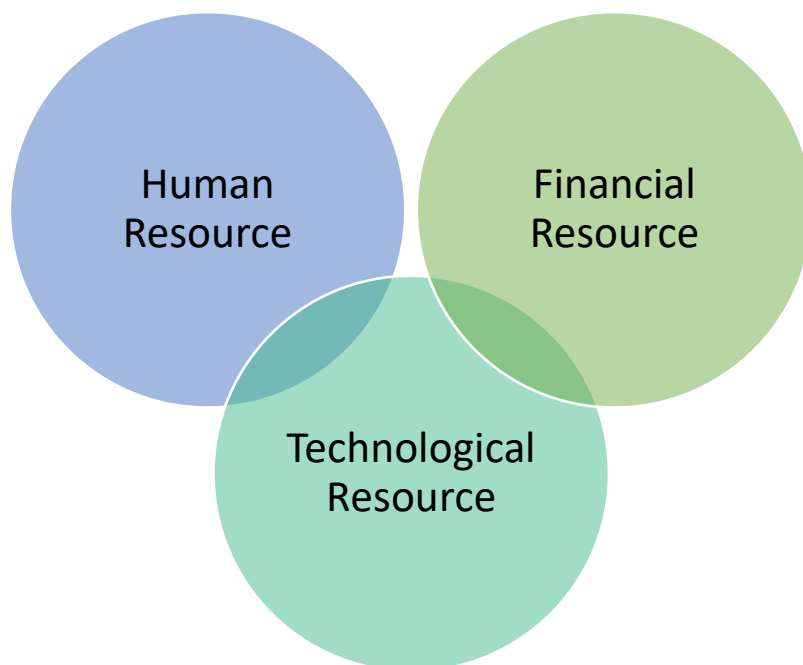
The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.



## Internal audit resources

On development of the 2025/26 internal audit plan as Chief Internal Auditor I am of the opinion that there is a sufficient level of resource available, supported by an appropriate range of knowledge, skills, qualifications and experience to deliver the internal audit plan in the fulfilment of the audit mandate and delivery of the internal audit strategy.

The Head of the Southern Internal Audit Partnership has a resource strategy in place to optimise internal audit resources to efficiently and effectively deliver the internal audit plan.



**Human Resource** - the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and operational risk-based audit plan.

If the Chief Internal Auditor, Executive Leadership Team or the Corporate Governance Audit & Standards Committee consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Global Internal Audit Standards in the UK Public Sector is prejudiced, they will advise the Executive Head of Finance, accordingly.

**Financial Resource** - the Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit mandate and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.

**Technological Resource** - the internal audit function has the technology to support the internal audit process and regularly evaluates technological resources in pursuit of opportunities to improve effectiveness and efficiency.

## Resourcing the internal audit plan

The Global Internal Audit Standards in the UK Public Sector require a clear analysis of the resources and hours available for internal audit engagements compared to other administrative and non-audit related activities or initiatives focused on improving the internal audit function.

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	Activity	Days
Risk-Based Audit /Advisory	- Delivery of risk-based internal audit assignments designed to fulfil the audit mandate, delivery of the internal audit strategy and in support of the Council in the achievement of their objectives.	220
Audit Management	- Time allocated for the liaison and reporting to Executive Leadership Team and the Corporate Governance Audit & Standards Committee, ongoing monitoring and update of the audit plan, implementation of management actions and ongoing quality review.	20
Total Audit Days	- Total resource allocation for the delivery of the internal audit plan	240

\*100% of the commissioned audit days are dedicated to fulfilling the audit mandate, and delivery of the internal audit strategy. Internal audit services are provided through the Southern Internal audit Partnership who undertake all administrative and non-audit related activities outside of the commissioned audit days.

A range of internal audit services are provided to deliver the internal audit plan (see Internal Audit Charter). The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

## Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Neil Pitman, Head of Southern Internal Audit Partnership (Chief Internal Auditor), supported by Lisa Smy, Audit Manager.








## Independence


The Chief Internal Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. The Chief Internal Auditor is not aware of any relationships that may affect the independence and objectivity of the internal audit team.

The internal audit team retains no roles or responsibilities that have the potential to impair the internal audit functions independence, either in fact or appearance. Should such circumstance arise, the Chief Internal Auditor will advise the Corporate Governance Audit & Standards Committee of the safeguards put in place to manage actual, potential or perceived impairments.

## Internal Audit Plan 2025-26

Audit Assignment	Scope	Corporate Priority	Risk Register Reference	Assurance / Advisory	Internal Audit Risk Assessment	Quarter
<b>Governance</b>						
Risk Management	Assurance over the risk management framework and embeddedness across the organisation.	-		Assurance	High	Q3
Programme / Project Management	Assurance over the framework of governance and control to support the management and delivery of key council projects, with a focus on the crematorium.	-	SC4	Assurance	High	Q2
Contract Management	Assurance that contracts are effectively managed and monitored to ensure value for money from contracted services is maintained.	-	-	Assurance	High	Q4
Procurement	Assurance over the preparedness and framework of governance and control to support the legislative requirements of the Procurement Act 2023 (effective Feb 2025).	-	-	Assurance	High	Q1
<b>IT</b>						
Cyber – Training & Awareness	To assess the level of training and awareness across the council's establishment to the risks of cyber including inadvertent actions on receipt of phishing attacks, ransomware etc.	-	SC1	Assurance	High	Q3
IT Contingency	To utilise based on the outcomes of assurance needs assessment.	-	-	Assurance	High	Q4

Audit Assignment	Scope	Corporate Priority	Risk Register Reference	Assurance / Advisory	Internal Audit Risk Assessment	Quarter
Corporate Priorities						
Treasury Management	Assurance over the framework of governance and control to support the treasury management process and compliance with CIPFA guidance and the prudential indicators.		SC6	Assurance	High	Q3
Financial Recovery Plan	Assurance over the framework of governance and delivery of the Financial Recovery Plan in response to the recommendations raised in the CIPFA – Financial Resilience Review.		SC6, ES5	Assurance	High	Q1
Recruitment & Retention	To review measures in place to optimise recruitment and retention across the organisation alongside the enhanced challenges presented through devolution and local government review.			Assurance	High	Q3
LGA Peer Review – Action Plan	To assess progress and delivery of the action plan established to address recommendations from the June 2024 LGA Peer Review.			Assurance	High	Q1
Temporary Accommodation	Assurance over the policies and processes in place to support the provision of temporary accommodation within affordable limits.		ES2	Assurance	High	Q3
Asset Management & Disposal	To provide assurance over the effective management, sale and transfer of council assets.			Assurance	High	Q3
Agency Staff	Review of process of engagement and vfm considerations of agency spend, including the duration of appointments.			Assurance	High	Q2

Audit Assignment	Scope	Corporate Priority	Risk Register Reference	Assurance / Advisory	Internal Audit Risk Assessment	Quarter
Budget Management	Assurances over the effective management and measurement of service budgets.		ES5	Assurance	High	Q2
<b>Other</b>						
Contingency - Devolution / Local Government Review	Time held for any potential work required to support the devolution and local government review agenda.	-	ST6	Advisory	-	-
Management	Liaison and reporting to Executive Leadership Team and the Corporate Governance Audit & Standards Committee, ongoing monitoring and update of the audit plan, ongoing review of the implementation of management actions and ongoing quality review.	-	-	-	-	Q1-Q4



\*Risk references refer to those reported in January 2025

Corporate Priorities	
	Skills, Economy and Business
	Homes for All: Quality Living, Affordable Housing
	Community and Wellbeing: Active Lives, Healthier and Stronger Communities
	Pride in Place: Clean, Safe and Vibrant Neighbourhoods
	Vision for the future and financial sustainability

### Contingency Reviews

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The table below includes a list of engagements that would have been performed if additional resources were available.

Audit Assignment	Scope	Corporate Priority	Corporate Risk Register Reference	Assurance / Advisory	Internal Audit Risk Assessment	Quarter
Climate Strategy	Assurance of the governance and control framework to support the delivery for a carbon neutral Council by 2030.		SC10		High	
Information Governance - GDPR	Assurance over process and controls to maintain organisational compliance with the requirements of the General Data Protection Act legislation.		SC3	Assurance	Medium	
Annual Governance Statement	Assurance over the framework to produce a comprehensive AGS in accordance with 'delivering good governance in local government' and preparedness for the updated addendum for 2025-26.	-		Assurance	Medium	



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# RUSHMOOR BOROUGH COUNCIL

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## Internal Audit Charter 2025/26

Prepared By: Neil Pitman, Head of Southern Internal Audit Partnership

March 2025

## 1. Introduction

The [Global Internal Audit Standards](#), issued by the Institute of Internal Auditors and effective in the UK Public Sector from April 2025, guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.

While the Global Internal Audit Standards apply to all internal audit functions, it is acknowledged that internal auditors in the public sector work in a political environment under governance, organisational and funding structures that differ from those of the private sector.

Consequently, internal audit practitioners working in, or for, the UK public sector are required to apply the Global Internal Audit Standards subject to the interpretations and requirements of the [Application Note: Global Internal Audit Standards in the UK public sector](#), issued by Relevant Internal Audit Standard Setters (RIASS).

In addition, relevant public sector bodies are also required to apply the Chartered Institute of Public Finance & Accountancy (CIPFA) [Code of Practice for the Governance of Internal Audit in UK Local Government](#) which provides a conduit for meeting the essential conditions for governance set out in the Global Internal Audit Standards, tailored for UK local government.

The collective requirements shall be referred to as the Global Internal Audit Standards in the UK Public Sector. All SIAP policies and procedures have been reviewed and updated to ensure compliance with these requirements with effect from April 2025.



The Standards require all internal audit providers to implement and maintain an 'Internal Audit Charter'.

The internal audit charter is defined as *'a formal document that includes the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications'*

## 2. Definitions

The Global Internal Audit Standards in the UK Public Sector apply the following definitions:

**The Board** – *‘the governing body authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.’* At the Council this shall mean the Corporate Governance Audit & Standards Committee.

**Senior Management** – *‘the highest level of executive management of an organisation that is ultimately accountable to the Board for executing the organisation’s strategic decisions, typically a group of persons that includes the Chief Executive Officer or Head of Organisation’.* At the Council this shall mean the Executive Leadership Team (ELT).

## 3. Internal Audit Mandate

The mandate for internal audit in local government is specified within the Accounts and Audit [England] Regulations 2015, which states:

*‘5. (1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

*(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—*

- (a) make available such documents and records; and*
- (b) supply such information and explanations*

*as are considered necessary by those conducting the internal audit.*

*(3) In this regulation “documents and records” includes information recorded in an electronic form.’*

From 1 April 2025, the *‘standards or guidance’* in relation to internal audit are those laid down in the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government.

The scope of internal audit includes both assurance and advisory services covering the entire breadth of the Council, including all activities, assets, and personnel of the organisation.

Fraud investigations may also be commissioned which will be conducted by the Southern Internal Audit Partnership’s Counter Fraud Unit.

## 4. Authority, Roles and Responsibilities

### Authority

The Chief Internal Auditor is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed independently of management and with objectivity, enabling escalation as appropriate.

The Chief Internal Auditor reports functionally to the Corporate Governance Audit & Standards Committee, and organisationally to the Executive Head of Finance, who is a member of the Executive Leadership Team and has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Managing Director who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Managing Director responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. Corporate Governance Audit & Standards Committee). Private meetings, without senior management present, are also offered to the Chair of the Corporate Governance Audit & Standards Committee.

Should organisation structures change, senior management and the Corporate Governance Audit & Standards Committee will ensure that the reporting line of the Chief Internal Auditor remains with a member of the Executive Leadership Team and retains the relevant access to Members and officers as outlined above.

It is recognised that the Chief Internal Auditor supervises assurance services related to activities that are managed by the Executive Head of Finance to whom the Chief Internal Auditor reports administratively, however, this perceived impairment is mitigated through the alternative reporting lines detailed above.

Internal audit reporting protocols are in place to ensure that the scope of work and findings for all assignments are reported appropriately and that agreed management actions are approved by senior management.

Every effort will be made to resolve disagreements that may arise during the audit process. However, if, unresolved issues (such as limitations to the scope of work or failure to agree appropriate actions in response to audit findings) are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to the relevant Executive Head and Director in the first instance and then to the Executive Head of Finance, Managing Director, and Corporate Governance Audit & Standards Committee as deemed necessary.

The Executive Leadership Team and the Corporate Governance Audit & Standards Committee authorises the internal audit function to:

- have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information. Such access shall be granted on demand and not subject to prior notice.
- allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- obtain assistance from the necessary personnel of the Council and other specialised services from within or outside the Council to complete internal audit services.

## Role

The role of internal audit is best summarised through its definition within the Global Internal Audit Standards in the UK Public Sector, as:

*'An independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.'*

## Purpose

Internal audit strengthens the Council's ability to create, protect, and sustain value by providing the Corporate Governance Audit & Standards Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal audit enhances the Council's:

- successful achievement of its objectives.
- governance, risk management, and control processes.
- decision-making and oversight.
- reputation and credibility with its stakeholders.
- ability to serve the public interest.

Internal audit is most effective when:

- it is performed by competent professionals in conformance with the Global Internal Audit Standards in the UK Public Sector, which are set in the public interest.
- the internal audit function is independently positioned with direct accountability to the board.
- internal auditors are free from undue influence and committed to making objective assessments

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

### **Responsibility**

The responsibility for maintaining an adequate and effective system of internal audit within the Council lies with the Executive Head of Finance, as the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership. The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the Global Internal Audit Standards in the UK Public Sector.

### ***The Chief Internal Auditor***

Has the responsibility to:

- at least annually, develop a risk-based internal audit plan engaging with the Corporate Governance Audit & Standards Committee and Executive Leadership Team and submit the plan to the Corporate Governance Audit & Standards Committee for review and approval.
- communicate the impact of resource limitations on the internal audit plan to the Corporate Governance Audit & Standards Committee and Executive Leadership Team.
- review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- communicate with the Corporate Governance Audit & Standards Committee and Executive Leadership Team if there are significant interim changes to the internal audit plan.

- ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector (and relevant laws and/or regulations).
- follow up on engagement findings and confirm the implementation of management actions or action plans and communicate the results of internal audit services to the Corporate Governance Audit & Standards Committee and Executive Leadership Team periodically and for each engagement as appropriate.
- ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfil the internal audit mandate.
- identify and consider trends and emerging issues that could impact the Council and communicate to the Corporate Governance Audit & Standards Committee and Executive Leadership Team as appropriate.
- consider emerging trends and successful practices in internal auditing.
- establish and ensure adherence to methodologies designed to guide the internal audit function.
- ensure awareness of the Council's relevant policies and procedures, however, should such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards in the UK Public Sector, such conflicts will be resolved or documented and communicated to the Corporate Governance Audit & Standards Committee and Executive Leadership Team.
- coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services.
- deliver an annual conclusion that can be used by the Council to inform its annual governance statement. The annual conclusion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Discuss the annual conclusion with the Corporate Governance Audit & Standards Committee and Executive Leadership Team and submit the annual conclusion to the Corporate Governance Audit & Standards Committee for review and approval.

The Chief Internal Auditor will liaise with the external auditors on matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work. The external auditors will have the opportunity to rely on the work of internal audit where appropriate.

A range of internal audit services are provided (Annex 1) in the delivery of the audit plan and to form the annual conclusion. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

### ***Fraud and irregularity***

Internal audit will plan and evaluate their work to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Management is required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor so that they can consider the adequacy of relevant controls, evaluate the implication of the fraud on the risk, control and governance processes and consider making recommendations as appropriate.

Internal audit will not carry out investigations unless commissioned to do so and where this is the case, the Chief Internal Auditor will ensure that investigators are appropriately trained in carrying out their responsibilities.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with the Executive Head of Finance and the relevant officer(s) concerned.

Internal audit will consider assurance over the Council's Anti-Fraud Strategy and framework as part of the internal audit planning process.

## **5. Internal audit resources**

The Chief Internal Auditor is professionally qualified (CMIIA, CCAB or equivalent), maintains a comprehensive understanding of the Global Internal Audit Standards in the UK Public Sector, has wide internal audit and management experience, reflecting the responsibilities that arise from the need to build and manage an effective internal audit function (incl. recruitment, training and development), liaises internally and externally with Members, senior management and other professionals, and demonstrates sound sector knowledge & experience.

The Executive Head of Finance will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations to fulfil the audit mandate and delivery of the internal audit strategy.

The Head of the Southern Internal Audit Partnership has a resource strategy in place to optimise internal audit resources. Ongoing sufficiency of resources (financial, human and technological) will be transparently communicated by the Chief Internal Auditor to the Executive Leadership Team and the Corporate Governance Audit & Standards Committee through regular reporting as part of the approval of the internal audit plan and further throughout the year as part of the progress reports and ultimately within the annual conclusion.

Any resource implications that put the fulfilment of the internal audit mandate at risk will be reported accordingly through the afore mentioned reports.



### ***Financial Resource***

The Head of Southern Internal Audit Partnership will manage the internal audit budget to enable the successful implementation of the internal audit strategy and achievement of the plan. The budget includes the resources necessary for the function's operation, including training and relevant technologies and tools.

The Head of the Southern Internal Audit Partnership will manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget.

### ***Human Resource***

The Head of Southern Internal Audit Partnership will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the internal audit strategy and operational risk-based audit plan.

The Chief Internal Auditor continually evaluates the competencies of individual internal auditors (regular one-to-ones, performance management and quality review processes), and encourages professional development.

The annual operational risk-based plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

The Executive Leadership Team and the Corporate Governance Audit & Standards Committee will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to Corporate Governance Audit & Standards Committee and Executive Leadership Team.

If the Chief Internal Auditor, Corporate Governance Audit & Standards Committee or the Executive Leadership Team consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Global Internal Audit Standards in the UK Public Sector is prejudiced, they will advise the Executive Head of Finance, accordingly.

### ***Technological Resource***

The Head of the Southern Internal Audit Partnership will ensure the internal audit function has technology to support the internal audit process and regularly evaluate the technology used to pursue opportunities to improve effectiveness and efficiency.

The implementation of new technologies is supported through effective and timely training for internal audit staff.

The impact of any technology limitations on the effective and efficient delivery of internal audit services will be communicated to Corporate Governance Audit & Standards Committee and Executive Leadership Team.

## **6. Ethics and Professionalism**

The Chief Internal Auditor will ensure that internal auditors:

- conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- understand, respect, meet, and contribute to the legitimate and ethical expectations of the Council and be able to recognise conduct that is contrary to those expectations.
- encourage and promote an ethics-based culture in the Council.
- report organisational behaviour that is inconsistent with the Council's ethical expectations, as described in applicable policies and procedures.
- apply the Seven Principles of Public Life alongside existing ethical frameworks.

## **7. Independence and objectivity**

The Chief Internal Auditor retains no roles or responsibilities that have the potential to impair the internal audit functions independence, either in fact or appearance.

Should such circumstance arise, the Chief Internal Auditor will advise the Corporate Governance Audit & Standards Committee of the safeguards put in place to manage actual, potential or perceived impairments.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review.

Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- assessing specific operations for which they had responsibility within the previous year.
- performing operational duties for the Council or its affiliates.
- initiating or approving transactions external to the internal audit function.
- directing the activities of any Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit team or to assist internal auditors.

Internal auditors will:

- disclose impairments of independence or objectivity, in fact or appearance, to the Chief Internal Auditor.
- exhibit professional objectivity in gathering, evaluating, and communicating information.
- make balanced assessments of all available and relevant facts and circumstances.
- take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Induction and refresher training combined with internal audit procedures and guidance provide a systematic and disciplined approach for gathering and evaluating information to provide a balanced assessment of the activity under review.

The Chief Internal Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication.

If the Chief Internal Auditor determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

In addition, to achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- operates in a framework that allows unrestricted access to the Executive Leadership Team and Corporate Governance Audit & Standards Committee.
- reports functionally to the Corporate Governance Audit & Standards Committee.
- reports in their own name.
- rotates responsibilities for audit assignments within the internal audit team.
- completes individual declarations confirming compliance with rules on independence, objectivity, conflicts of interest and acceptance of inducements, and
- ensures the planning process recognises, records and addresses potential conflicts of interest.

A register of potential conflicts of interest will be maintained with each case assessed and outcomes documented. If, despite this, independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to Executive Leadership Team and Corporate Governance Audit & Standards Committee. The nature of the disclosure will depend upon the impairment.

Executive Leadership Team will ensure that independence is safeguarded through ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference and where there are actual or potential impairments to the independence of internal audit, the Executive Leadership Team will work with the Chief Internal Auditor to remove or minimise them or ensure safeguards are operating effectively.

The Corporate Governance Audit & Standards Committee will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence raised by the Chief Internal Auditor.

The Chief Internal Auditor will confirm to the Corporate Governance Audit & Standards Committee, at least annually, the organisational independence of the internal audit function. The Chief Internal Auditor will disclose to the Corporate Governance Audit & Standards Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate

Matters around the appointment, removal, remuneration and performance evaluation of the Chief Internal Auditor will be undertaken by the Deputy Chief Executive and Director of Corporate Operations at Hampshire County Council, who are the host authority of the Southern Internal Audit Partnership.

The Corporate Governance Audit & Standards Committee should provide feedback on the performance evaluation of the Chief Internal Auditor. This will be achieved through an annual survey sent to all Audit Committee members.

## **8. Due Professional Care**

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained during internal audit work will not be used to effect personal gain.

## **9. Communication, Reporting and Oversight**

### ***Internal Audit Strategy***

The Head of the Southern Internal Audit Partnership will develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the Council and aligns with the expectations of the Corporate Governance Audit & Standards Committee, Executive Leadership Team and other key stakeholders.

The internal audit strategy is a plan of action designed to achieve the audit function's long-term objective(s). The internal audit strategy includes a vision, strategic objectives, and supporting initiatives for the internal audit function to help fulfil the internal audit mandate.

### ***Internal Audit Charter***

The internal audit charter defines the internal audit function's mandate, organisational position, reporting relationships, scope of work, types of service, and other specifications relevant to its effective operation.

### ***Audit Plan***

The Chief Internal Auditor will develop an internal audit plan that supports the achievement of the Council's objectives.

The plan will be based on a documented assessment of the Council's strategies, objectives, and risks. Such assessment will be informed through engagement with the Executive Leadership Team and Corporate Governance Audit & Standards Committee as well as the Chief Internal Auditors understanding of the organisation's governance, risk and control processes.

The plan will be regularly reviewed with significant changes discussed and approved with the Executive Leadership Team and Corporate Governance Audit & Standards Committee in a timely manner.

### ***Audit Assignments***

Internal auditors will communicate with management at the commencement of each review to ensure that the scope and timing of the work is understood and agreed, and this will be documented in a Terms of Reference. Internal audit contacts agreed as part of this process will be expected to be available for discussions and to provide the information required to complete the assignment in line with the timelines agreed. Regular communication throughout the review will ensure timely awareness of any issues arising and a close of audit meeting will also be held to summarise and confirm findings.

The results of all planned audit assignments will be summarised in a formal report, including:

- the purpose and scope of the reviews
- the assurance opinion
- an executive summary
- action plans outlining issues arising and actions proposed by management to address them (including consideration of root cause and identification of key themes).

The reports will be distributed and agreed in line with established reporting protocols for each Directorate.

### ***Progress Reports***

Throughout the year the Chief Internal Auditor will maintain regular communications with the Executive Leadership Team and Corporate Governance Audit & Standards Committee on internal audit performance and other matters such as:

- revisions to the plan.
- any impairments to independence.
- significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for management that could interfere with the achievement of Council's strategic objective.
- results of assurance and advisory services.
- management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.
- performance measures, including ongoing conformance with the Global Internal Audit Standards in the UK Public Sector.
- evaluation of resourcing to meet the requirements of the internal audit mandate / plan.

### ***Annual Conclusion***

The Chief Internal Auditor shall deliver an annual conclusion that can be used by the Council to inform its annual governance statement.

The annual conclusion will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

The annual conclusion will incorporate as a minimum:

- the opinion.
- a summary of the work that supports the opinion.
- a statement on conformance with Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government.
- results of the quality assurance and improvement programme.

## *Quality assurance and Improvement Programme*

The Head of the Southern Internal Audit Partnership maintains a quality assurance and improvement programme that covers all aspects of the internal audit function. The programme includes:

**External Quality Assessments** – to be performed at least once every five years by a qualified independent assessor or assessment team (with appropriate characteristics and sector knowledge). The requirement for an external quality assessment may also be met through a self-assessment with independent validation.

The decision on the appointment of the external assessor and format of the external quality assessment will be communicated to the Executive Leadership Team and Corporate Governance Audit & Standards Committee

**Internal Quality Assessments** – self-assessments to be performed annually to review internal audits conformance with the Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government along with progress towards performance objectives.

The Chief Internal Auditor will communicate annually the results of the internal quality assessment to Executive Leadership Team and Corporate Governance Audit & Standards Committee. The results of external quality assessments will be reported when completed.

In both cases communications will include:

- The internal audit function’s conformance with Global Internal Audit Standards in the UK Public Sector and the Code of Practice for the Governance of Internal Audit in UK Local Government and achievement of performance objectives.
- Compliance with laws and regulations relevant to internal auditing.
- If applicable, plans to address the internal audit function’s deficiencies and opportunities for improvement.

In addition, an annual satisfaction survey will be conducted with key stakeholders to assess the value of the service and to seek suggestions for improvement.

The results of the survey, annual self-assessment, and external assessment will be shared with the Executive Leadership Team and Corporate Governance Audit & Standards Committee, together with plans to address any issues arising.



## Executive Leadership Team

As those responsible for the leadership and direction of the Council it is imperative that the Executive Leadership Team are engaged in:

- input, review, and approval of the internal audit mandate and charter (minimum annually).
- input, review, and approval of the internal audit strategy.
- input, and approval of the risk based internal audit plan (making appropriate enquiries of the Chief Internal Auditor to determine inappropriate scope and resource limitations).
- receiving regular progress reports from the Chief Internal Auditor on the outcomes and internal audits performance relative to its plan.
- review and approval of the Chief Internal Auditors annual conclusion.
- review of the quality assurance and improvement programme, engaging with, and receiving the results of internal and external assessments, including areas of non-conformance.
- review and approval of internal audit's performance objectives/ measures

## The Corporate Governance Audit & Standards Committee

As those responsible for the governance of the Council it is imperative that the Corporate Governance Audit & Standards Committee are engaged in:

- input, review and approval of the internal audit mandate and charter (minimum annually).
- input, review, and approval of the internal audit strategy.
- input, and approval of the risk based internal audit plan (making appropriate enquiries of management and Chief Internal Auditor to determine inappropriate scope and resource limitations).
- receiving regular progress reports from the Chief Internal Auditor on the outcomes and internal audits performance relative to its plan.
- review and approval of the Chief Internal Auditors annual conclusion.
- review of the quality assurance and improvement programme, engaging with, and receiving the results of internal and external assessments, including areas of non-conformance.
- review and approval of the internal audit's performance objectives/ measures.
- participation in discussions with the Chief Internal Auditor and senior management about the "essential conditions," described in the Global Internal Audit Standards in the UK Public Sector.
- overview of significant advisory services not already included in the audit plan, prior to acceptance of the engagement.

## **10. Review of the internal audit mandate and charter**

This mandate and charter will be reviewed annually (minimum) by the Chief Internal Auditor and reported to Executive Leadership Team and the Corporate Governance Audit & Standards Committee for approval to ensure that any changes to the Global Internal Audit Standards in the UK Public Sector, reorganisation within the organisation or other significant changes affecting the nature and scope of internal audit services are considered.

## Annex 1

## Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Advisory services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

- **Data analytics:** is a process of assessing data to find trends, patterns or other insights. Internal auditors use data analytics to find and define risks, errors, and anomalies that could reveal deeper problems. The extended use of data analytics helps provide greater levels of assurance through analysis of a total population rather than traditional sampling methodologies.
- **IT Audit:** a specialist IT audit team are in place that are experienced in covering all aspects of established and emerging technologies. With IT underpinning a vast majority of how we function assurance in this area is crucial. To be able to provide a fully qualified team of IT audit specialists is a fundamental component of the audit offering.

- **Fraud and irregularity investigations:** Internal audit may provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes.
  
- **Value For Money:** is implicit in the vast majority of our internal audit work, however, value for money work can also be conducted through review of the optimal use of resources to achieve an intended outcome, and can be summarised as:
  - **Economy** – minimising the cost of resources used or required (inputs) – spending less
  - **Efficiency** – the relationship between the output from goods or services and the resources to produce them – spending well
  - **Effectiveness** – the relationship between the intended and actual results of public spending (outcomes) – spending wisely
  
- **Third party assurance:** the availability of objective assurance from other assurance providers will be considered in determining audit needs. Where internal audit needs to work with the internal auditors of other organisations, a practice which is expanding with the development of more organisational strategic partnerships, the roles and responsibilities of each party, as well as billing arrangements, will be clearly defined, agreed and documented prior to the commencement of work. Internal audit will also ensure awareness of and seek to place reliance on the work of other independent review bodies.

**SELECTION OF MAYOR AND DEPUTY MAYOR 2025/26****1. INTRODUCTION**

- 1.1 This Report sets out the current position on the selection process for the Mayor and Deputy Mayor 2025/26.

**2. BACKGROUND**

- 2.1 The Council has established a process and criteria for selecting the Mayor and Deputy Mayor which is adopted as part of the Council's Constitution. A copy of the criteria is attached at **Appendix 1**.
- 2.2 In accordance with the procedure, the Chief Executive wrote to all councillors in December 2024 to invite expressions of interest in the role of Deputy Mayor for 2025/26, progressing to the position of Mayor in 2026/27.

**3. PROPOSALS FOR NOMINATIONS**

- 3.1 Cllr Calum Stewart, who is currently the Deputy Mayor, has confirmed his wish to proceed through normal progression to the position of Mayor for 2025/26.
- 3.2 For the position of Deputy Mayor, it has not yet been possible to secure a nomination for recommendation to the Committee that meets all of the requirements of the selection criteria. It is proposed to convene a meeting of Group Leaders to review the process to elicit a candidate for the role of the Deputy Mayor to date and agree the basis of determining a candidate that will secure broad based support.

**4. RECOMMENDATIONS**

- (i) The Committee recommends to Council that Cllr Calum Stewart be appointed as Mayor-Elect for the 2025/26 Municipal Year.
- (ii) The Committee to note that the process for seeking a nomination for Deputy Mayor 2025/26 is underway with a view to securing a nomination before the Annual Council Meeting.

**PAUL SHACKLEY  
CHIEF EXECUTIVE**

**Contact:** [Jill.shuttleworth@rushmoor.gov.uk](mailto:Jill.shuttleworth@rushmoor.gov.uk) Corporate Manger - Democracy

## 5. SELECTION OF THE MAYOR AND DEPUTY MAYOR

The Council has established criteria for selecting the Mayor and Deputy Mayor. The Corporate Governance, Audit and Standards Committee keeps the criteria under regular review. The arrangements are as follows:

Each year, the Chief Executive will invite all Members to advise if they are interested to take the role of Deputy Mayor beginning the next municipal year, progressing through to the position of Mayor the following year. The Chief Executive shall also check that the Deputy Mayor wishes to progress through to Mayor. This will usually be in early December and with a deadline for Members to advise their interest by early January.

The following criteria will then be applied to determine the position from the interested Members:

- 1) The position of the Mayor and Deputy Mayor of the Borough will be determined by order of seniority from amongst all interested Members of the Council as notified to the Chief Executive and will be calculated in accordance with the procedure adopted by the Council on 20th May 1976 as follows:  
  
“The order of seniority of Members of the Council shall be determined by the length of previous local government service with the Council, including past service with the former Aldershot Borough Council and Farnborough Urban District Council. In the case where two or more Members have the same length of service, then priority between such Members shall be determined by the number of votes received by each Member expressed as a percentage of the total number of ballot papers issued at the most recent election held in their respective Wards.”
- 2) The normal progression through the Mayoralty will be by the holding of the position of Deputy Mayor and then progressing to the position of Mayor the following year.
- 3) A Member will not be eligible for selection until that Member has served a full four-year term.
- 4) Where a Member has not been Mayor before, that Member shall be given priority in the selection process.
- 5) Past Mayors will not normally be considered for the position of Mayor or Deputy Mayor until eight years after the completion of the end of their Mayoral Year.
- 6) A Member may be selected as Deputy Mayor when they are seeking re-election at that year's Borough Council Election. The position would be contingent on a successful re-election. However, a Member will not normally be selected when they are seeking re-election which would fall between their year as Deputy Mayor and Mayor.
- 7) The Offices of Mayor and Deputy Mayor must at all times be apolitical and should not be used for political advantage.

- 8) A Member should recognise the time required in carrying out the duties and responsibilities of the Mayor and be able to allocate that time during their year of office.
- 9) Those considered for appointment:
  - must demonstrate a broad base of support amongst Members of the Council and all Members will be contacted in writing by the Chief Executive for their views on the proposed candidate.
  - should be able to demonstrate some experience of chairing meetings
- 10) The Mayor-Elect and Deputy Mayor-Elect will be selected at the Corporate Governance, Audit and Standards Committee on the basis of the selections being submitted to Council by the end of March.
- 11) The Mayor must sign their acceptance of the Mayoral Protocol before beginning their term of office