

AUDIT AND GOVERNANCE COMMITTEE

Meeting held on Wednesday, 28th January, 2026 at the Council Offices, Farnborough at 7.15 pm.

Voting Members

Cllr Bill O'Donovan (Chair)
Cllr P.J. Cullum (Vice-Chair)

Cllr C.W. Card
Cllr Sue Carter
Cllr A.H. Crawford
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllrs C.P. Grattan, Sarah Spall, P.G. Taylor, Ivan Whitmee and Becky Williams.

Cllrs Thomas Day and S.J. Masterson attended the meeting as Standing Deputies.

13. MINUTES

The minutes of the meeting held on 26th November 2025, and the Special meeting held on 11th December 2025, were agreed and signed as a correct record of the proceedings, subject to an amendment to the attendance of the meeting held on 11th December 2025.

14. DRAFT AUDIT RESULTS REPORT

The Chair welcomed Simon Mathers, Director, from the Council's external auditors, Ernst and Young (EY).

The Committee received the Audit Results Report. The audit was designed to express an opinion on the 2024/25 financial statements and addressed current statutory and regulatory requirements. The report contained EY's findings related to the areas of audit emphasis, their views on Rushmoor Borough Council's accounting policies and judgements, and material internal control findings.

The Committee noted that a disclaimed audit opinion had previously been issued on the 2020/21 to 2023/24 accounts as part of the national reset and recovery of local government audit. For 2024/25, assurance over the closing balance sheet and in-year transactions had improved, but sufficient evidence had not been obtained to provide reasonable assurance over all movements and balances. The lack of assurance over the 2023/24 opening balances, following the prior year disclaimer, also prevented full assurance over the 2024/25 figures and the comparative disclosures. Given the continued absence of adequate evidence and the requirement to conclude work by the statutory backstop date, EY advised that they were unable to confirm that the 2024/25 accounts were free from material and pervasive

misstatement. Therefore, the financial statements in 2024/25 would again have a disclaimed audit opinion.

During discussion, Members raised questions regarding the valuation of investment properties and the process the Council used to engage new external valuers. The Committee noted that a significant weakness in the Council's Value for Money arrangements was concerning financial sustainability, which had been disaggregated into two separate risks. These were identified as the need to identify recovery revenue savings to balance future budgets and the necessity to deliver the asset disposal programme, considering the high level of external borrowing.

RESOLVED: That the Draft Audit Results Report, be noted.

15. **DRAFT 2024/25 AUDITOR'S ANNUAL REPORT**

The Committee received the EY's draft Auditor's Annual Report, including the commentary on the Value for Money (VFM) arrangements for Rushmoor Borough Council. The report and commentary explained the work EY had undertaken during the year and highlighted any significant weaknesses identified along with recommendations for improvement. The commentary covered the findings for audit year 2024/25. As the financial statements audit was still in progress as at 30 November 2025, the report had been issued as draft and would be finalised as part of issuing the 2024/25 audit report.

The aim of the report was to bring together all of the auditor's work over the year, including the Value for Money commentary and confirmation of the financial statement opinion. It also referenced any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In doing so, the auditors comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). The report provided an overview to the Council and the public, detailing current recommendations and a review of prior years' actions, including the auditor's assessment of whether they had been satisfactorily implemented.

The Committee were advised that EY had identified two significant weaknesses in the Council's arrangements that they intended to report, by exception, in the audit report. The recommendations were to:

- Urgently identify recurrent savings to bridge the budget gap forecast by the Council's updated Medium Term Financial Strategy (MTFS);
- Improve delivery of the asset disposal programme, both in terms of the identification of asset sales and level of capital receipts achieved to reduce the ongoing cost pressures this created on the Council's revenue budget; and
- Continue to seek to replace short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.

During discussion, Members raised questions regarding property valuations, asset disposals and how capital receipts could be monitored.

ACTION:

What	By Whom	When
The capital receipts live document to be shared with all Members.	Peter Vickers, Executive Head of Finance	Before the March AGC meeting

RESOLVED: That the draft Auditor's Annual Report, be noted.

16. ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION - UPDATE

The Committee received the Executive Head of Finance's Report No. FIN2602, setting out the 2024/25 accounts which required approval in line with the statutory Local Government Audit backstop position, and included an update on prior years.

The Committee were advised that, for the 2024/25 Statement of Accounts, the unaudited accounts were required to have been published by 30 June 2025, and the statutory audit backstop date was 27 February 2026. Due to prior years having been a disclaimed opinion, and therefore not having reasonable assurance for prior years' balances brought forward, the external auditors therefore could only give limited assurance for 2024/25 rather than a clear audit opinion. Work to rebuild assurance was ongoing and an unqualified opinion was anticipated to be achieved for the 2026/27 financial year accounts.

The Committee noted that there were two amendments within the report:

- Reference to regeneration of the Civic Quarter, Farnborough; and
- Clarity over the date of the table showing the political make-up of the Council.

RESOLVED: That:

- (i) approval of the Statement of Accounts for 2024/25 be delegated to the Chair of the Audit and Governance Committee and the S151 Officer;
- (ii) the signing of the Letter of Representation for 2024/25 be delegated to the Chair of the Audit and Governance Committee and the S151 Officer; and
- (iii) the 2024/25 accounts be confirmed as having been prepared on a going concern basis.

17. INTERNAL AUDIT - AUDIT PROGRESS REPORT UPDATE

The Chairman welcomed Neil Pitman, Head of Southern Internal Audit Partnership (SIAP), the Council's internal auditors.

The Committee received SIAP's Report No. SIAP26/01, which set out the Internal Audit Progress Report, as at December 2025, which provided the Audit and

Governance Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan. The Report also provided an overview of key updates pertinent to the discharge of the Committee's role, in relation to internal audit.

During discussion, questions were raised regarding the agency staff audit and revised audit action dates.

ACTION:

What	By Whom	When
Share actions for the Agency Staff audit with the Committee.	Peter Vickers, Executive Head of Finance.	Before the March 2026 Committee meeting.
Confirm with Statutory Officer Group, that changes to audit dates, once agreed by management, will require approval from the Committee.	Peter Vickers, Executive Head of Finance	At the next meeting of the Statutory Officer Group.

RESOLVED: That SIAP's Report No. SIAP26/01, be noted.

18. INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT - FINAL REPORT

The Committee received SIAP's Report No. SIAP26/02, which set out the External Quality Assessment – Outcome Report. As required by the Global Internal Audit Standards in UK Public Sector, the report presented the outcomes from the External Quality Assessment of the Southern Internal Audit Partnership against the new Standards. The external assessor report of the External Quality Assessment conducted on the Southern Internal Audit Partnership provided an independent oversight of conformance against the new Global Internal Audit Standards in the UK Public Sector as required under Standard 8.4 (External Quality Assessment).

During discussion, Members sought clarification of SIAP's role, regarding the Council's journey towards Local Government Reorganisation.

ACTION:

What	By Whom	When
Share SIAP's Internal Audit Strategy with the Committee.	Neil Pitman, Head of Southern Internal Audit Partnership (SIAP).	Before the March 2026 Committee meeting.

RESOLVED: That SIAP's Report No. SIAP26/02, be noted.

19. ANNUAL CAPITAL STRATEGY 2026/27

The Committee considered the Executive Head of Finance's Report No. FIN2605, which set out the proposed Capital Strategy for the year 2026/27 to 2028/29, including the Prudential indicators for capital finance for 2026/27. 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", the "Treasury Management Code of Practice" 2021, and the Department for Levelling Up, Housing and Communities (DLUHC) guidance on Local Government Investment.

The Committee were 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.

During discussion, Members requested further information concerning the Council borrowing at lower interest rates, the authorised limit and the impact of delays to capital receipts.

The Committee **RECOMMENDED TO THE COUNCIL** that the Capital Strategy for 2026/27 to 2028/29, including the Prudential indicators for capital finance for 2026/27, as set out in the Executive Head of Finance Report No. FIN2605, be approved.

20. ANNUAL TREASURY MANAGEMENT AND NON-TREASURY MANAGEMENT STRATEGY 2026/27

The Committee considered the Executive Head of Finance's Report No. FIN2606, 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. FIN2606, 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 2026. 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.

Members sought clarification on Farnborough International loan repayments and the accuracy of property valuations by external valuers.

The Committee

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

- (a) the Treasury Management Strategy 2026-27 and the Annual Borrowing Strategy 2026-27 (as set out in Appendix 1 of the Executive Head of Finance Report No. FIN2606) be approved;
- (b) the Annual Non-Treasury Investment Strategy 2026-27 (set out in Appendix 2) be approved; and
- (c) the Minimum Revenue Provision (MRP) Statement (set out in Appendix 3) be approved.

21. QUARTERLY REPORT OF TREASURY PRUDENTIAL INDICATORS (Q3)

The Committee received the Executive Head of Finance's Report No. FIN2607, which set out the activities of the Treasury Management and Non-Treasury Investment Operations for Quarter 3 in the financial year 2025/26 and reported on compliance with Prudential Indicators, as required by the CIPFA Code of Practice on Treasury Management. Full Council approved the Annual Treasury Management Strategy and Non-Treasury Investment Strategy for the financial year 2025/26 in February 2025. The Council's treasury management activity was underpinned by CIPFA's Code of Practice on Treasury Management 2021 ("the Code") and was fully incorporated into the Council's adopted strategy.

The Committee noted that, during Quarter 3, it had exceeded its Treasury Management limits for investment in counterparties. Due to high cash balances and money market funds being fully invested, the Section 151 Officer authorised a temporary investment of £10m with another local authority, above the usual £6m limit. This was considered low risk as local authorities had access to Public Works Loan Board (PWLB) borrowing. The funds were due to be repaid on 30th January. Members were informed that borrowing maturity continued to shift towards longer-term arrangements to provide cost certainty, with 6% of the portfolio maturing within 12 months, supporting interest rate stability in line with the Medium Term Financial Strategy (MTFS) assumption.

When discussing the item, Members sought clarification pertaining to the Council's investment in South Yorkshire Mayoral Combined Authority Police Fund, which had exceeded the £6m local authority's limit. The Committee were assured that the limit was exceeded on this occasion, as the Council held too much cash at that time and the borrowing was taken at a low interest rate.

RESOLVED: That:

- (i) appreciation be given to the Finance Team for the work completed and the progress made; and
- (ii) the contents of the report, in relation to the treasury management and non-treasury investment operations carried out, be approved.

The meeting closed at 9.34 pm.

CLLR BILL O'DONOVAN (CHAIR)
