

Public Document Pack



RUSHMOOR BOROUGH COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

*at the Council Offices, Farnborough on
Wednesday, 25th March, 2026 at 7.00 pm*

To:

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

Cllr C.W. Card
Cllr Sue Carter
Cllr A.H. Crawford
Cllr C.P. Grattan
Cllr Sarah Spall
Cllr P.G. Taylor
Cllr Jacqui Vosper
Cllr Ivan Whitmee
Cllr Becky Williams

Standing Deputies:

Cllr Leola Card, Cllr Thomas Day, Cllr A.H. Gani, Cllr S.J. Masterson, Cllr T.W. Mitchell, Cllr Ivan Whitmee.

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

A G E N D A

1. **MINUTES – (Pages 1 - 8)**

To confirm the Minutes of the Meeting held on 28th January, 2026 (copy attached).

2. **INTERNAL AUDIT - AUDIT CHARTER AND AUDIT PLAN 2026/27 – (Pages 9 - 46)**

To receive SIAP's Report No. SIAP26/06 (copy attached), which details the internal audit charter and mandate, outlining the role, purpose, independence of the internal audit service for the year 2026/27 and provides an overview of the risk based internal audit plan for 2026-27.

3. **INTERNAL AUDIT - PROGRESS REPORT – (Pages 47 - 58)**

To receive SIAP's Report No. SIAP26/05 (copy attached), which provides an update on audit work completed to date, progress against the audit plan and tracking of the implementation of management actions.

4. **ACCOUNTING POLICIES FOR THE YEAR – (Pages 59 - 84)**

To consider the Executive Head of Finance's Report No. FIN2610 (copy attached), which reviews the proposed accounting policies to be applied for the closure of the 2025/26 accounts.

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.

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.	Belinda Tam, Corporate Manager - People	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)

AUDIT AND GOVERNANCE COMMITTEE

**Head of Partnership
REPORT NO. SIAP 26/06**

25th March 2026

INTERNAL AUDIT CHARTER & INTERNAL AUDIT PLAN 2026-27

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 2026 – 27.

- 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 2026-27 (Appendix A); and
- ii. Internal Audit Plan 2026-27 (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 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.’

- 1.4 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.
- 1.5 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).
- 1.6 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.
- 1.7 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 2026-27

- 1.8 The internal audit charter is reported to the Audit & Governance Committee annually for review and approval. There have been no changes to the charter since last year with the exception of reference now being made to the Audit & Governance Committee rather than the Corporate Governance Audit & Standards Committee. A copy is attached as Appendix A.

Internal Audit Plan 2026-27

- 1.9 The proposed risk based internal audit plan for 2026-27 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.

- 1.10 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.
- 1.11 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.
- 1.12 Any changes to the plan (including advisory assignments) will be transparently reported to the Executive Leadership Team and the Audit & Governance Committee during the course of the year for approval as part of our regular Progress Reports.
- 1.13 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.
- 1.14 Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Audit & Governance Committee, through regular progress reports.
- 1.15 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 2026-27 (Appendix A); and Internal Audit Plan 2026-27 (Appendix B).

AUTHOR: Neil Pitman, Head of Southern Internal Audit Partnership
Neil.pitman@hants.gov.uk

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



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

RUSHMOOR BOROUGH COUNCIL

Internal Audit Charter 2026/27

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

February 2026

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 Audit & Governance 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 Audit & Governance 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. Audit & Governance Committee). Private meetings, without senior management present, are also offered to the Chair of the Audit & Governance Committee.

Should organisation structures change, senior management and the Audit & Governance 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 Audit & Governance Committee as deemed necessary.

The Executive Leadership Team and the Audit & Governance 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 Audit & Governance 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 (Deputy 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 Audit & Governance Committee and Executive Leadership Team and submit the plan to the Audit & Governance Committee for review and approval.
- communicate the impact of resource limitations on the internal audit plan to the Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance Committee and Executive Leadership Team and submit the annual conclusion to the Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance Committee and Executive Leadership Team.

If the Chief Internal Auditor, Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance Committee.
- reports functionally to the Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance Committee, at least annually, the organisational independence of the internal audit function. The Chief Internal Auditor will disclose to the Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 Audit & Governance 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 note the internal audit mandate and charter (minimum annually).
- input, review, and note the internal audit strategy.
- input and note 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 note 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.

The Audit & Governance Committee

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

- input, review and approval of the internal audit mandate and charter (minimum annually).
- input, review, and note 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.
- consider 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.
- 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 Audit & Governance 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.

Southern Internal Audit Partnership

Assurance through excellence
and innovation

RUSHMOOR BOROUGH COUNCIL INTERNAL AUDIT PLAN 2026/27

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

March 2026

Introduction

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.'

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 Audit & Governance 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.

Standard 8.4 [External Quality Assessment] requires internal audit providers to undergo an external quality assessment every five years. In September 2025 JC Training Ltd were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the Global Internal Audit Standards in the UK Public Sector.

In considering all sources of evidence the external assessor concluded:

'SIAP has achieved an excellent result of 'generally achieves' in this EQA in relation to the GIAS and Application Note. The IIA use the term 'general achievement' or 'general conformance' to indicate that "internal audit activities were performed in general conformance with the Global Standards."

I include a summary of SIAP's conformance to the GIAS, below. Overall, I believe that the team has achieved an excellent performance given its size, together with the breadth and depth of the benchmark established by the new GIAS.

I am delighted to confirm that SIAP fully achieves 46 of the 52 Standards and generally achieves the remaining six Standards. There are no partial conformances, or areas where the team do not conform with any Standards.

I have undertaken ten reviews of diverse internal audit functions using the (new) GIAS to date and **this result puts SIAP firmly within the top quartile and represents the highest level of achievement and conformance with the new GIAS that I have seen to date.'**

Summary of IIA Conformance	Standards	Does not Conform	Partially Conforms/Achieves	Generally Conforms/Achieves	Fully Conforms/Achieves	Total
Purpose of Internal Auditing	N/A					N/A
Ethics and Professionalism	13				13	13
Governing the Internal Audit Function	9			3	6	9
Managing the Internal Audit Function	16			1	15	16
Performing Internal Audit Services	14			2	12	14
	52	0	0	6	46	52

Developing the internal audit plan 2026/27

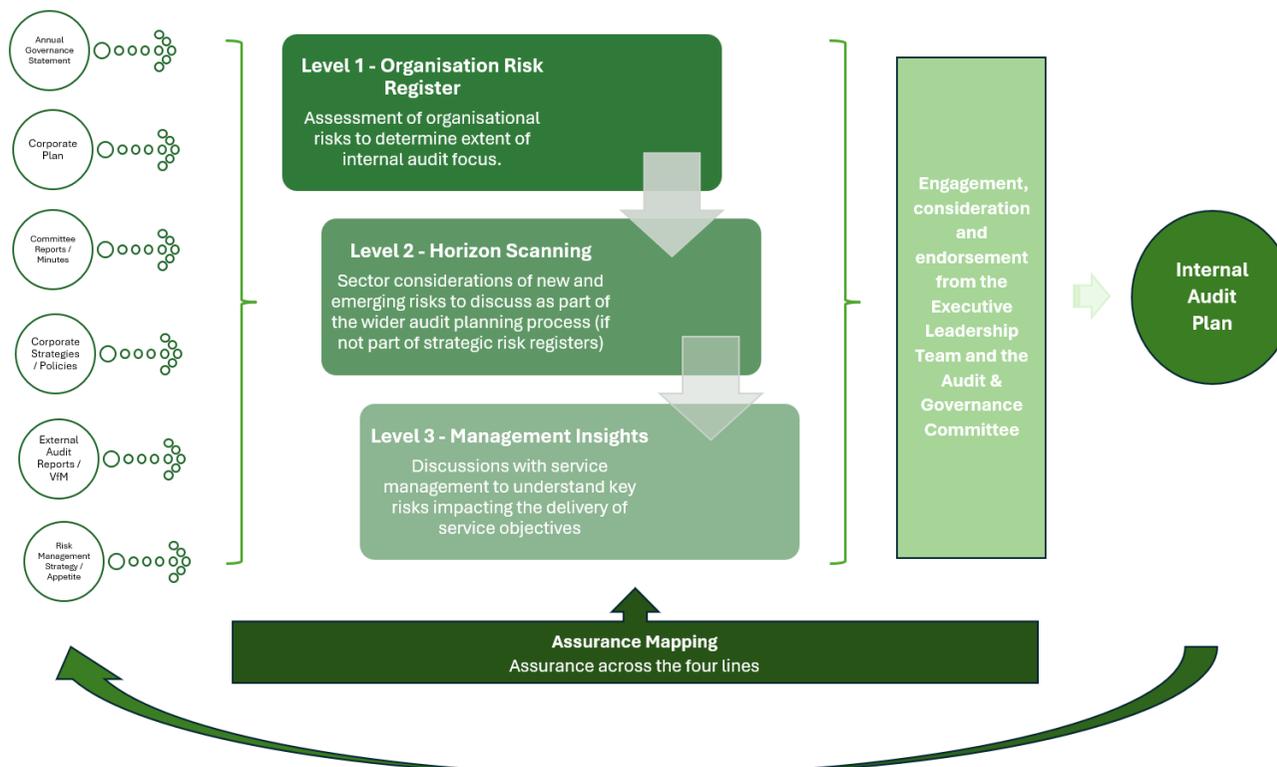
In accordance with the Global Internal Audit Standards in the UK Public Sector there is a requirement that internal audit must create a risk-based internal audit plan that supports the achievement of the organisation’s objectives. The internal audit plan provides the mechanism through which the Chief 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 Audit & Governance 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 Audit & Governance 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.

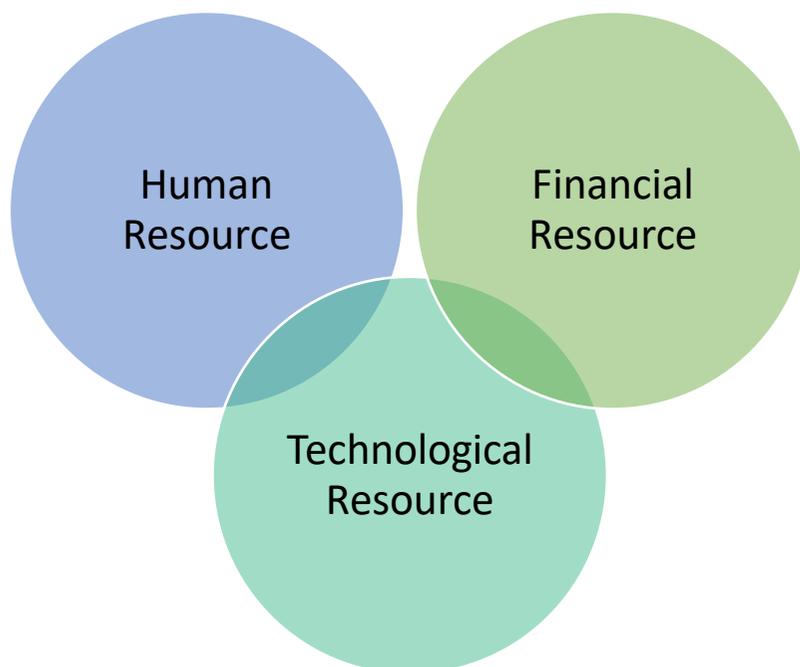


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Internal audit resources

In development of the 2026/27 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 Audit & Governance 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.

		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 Audit & Governance 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 Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (Chief Internal Auditor), supported by Nick Barrett, 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 Audit & Governance Committee of the safeguards put in place to manage actual, potential or perceived impairments.

Internal Audit Plan 2026-27

Audit Assignment	Directorate Sponsor	Scope	Corporate Priority	Risk Register Reference	Assurance / Advisory	Internal Audit Risk Assessment	Quarter
Governance							
Annual Governance Statement	EHF	Assurance on the implementation of the requirements within the new CIPFA addendum covering the annual review of governance and the annual governance statement	-		Assurance	High	Q1
Decision Making	CMD	To provide assurance that the council's decision-making framework is robust, transparent, well-governed, and compliant with statutory, constitutional, and good-practice requirements—ensuring decisions are informed, evidence-based, and appropriately documented.	-	SC11	Assurance	Medium	Q1
Contract Management	Corporate	Assurance that contracts are effectively managed and monitored to ensure value for money from contracted services is maintained.	-		Assurance	High	Q4
Data Quality & Retention	CMLSMO	To assess whether the council has effective governance, controls, and processes to ensure that data is accurate, reliable, complete, accessible, and retained in line with legal, regulatory, and organisational requirements.	-	SC2	Assurance	High	Q2
Procurement	ED	Assurance that the procurement of the leisure centre contract was undertaken in accordance with the council's contract procedure rules and legislative requirements.	-		Assurance	High	Q2
IT							
IT Asset Management	CMIT	Assurance over the policies, procedures controls in place to ensure IT assets are accurately recorded and effectively managed.	-	SC1	Assurance	High	Q3

Audit Assignment	Directorate Sponsor	Scope	Corporate Priority	Risk Register Reference	Assurance / Advisory	Internal Audit Risk Assessment	Quarter
MyHR Application	CMIT	Assurance over management of the MyHR application to ensure the security and availability of data and functions. Including the infrastructure supporting the application.	-		Assurance	Medium	TBC
Corporate Priorities							
Repairs & Maintenance	EHPG	Assurance that arrangements are well-governed, effective, value for money, and focused on tenant safety and satisfaction, while meeting statutory and regulatory requirements.	Homes for All		Assurance	High	Q2
Development Management	EHPG	To assess whether the council's development management function is operating effectively, efficiently, and in compliance with statutory planning requirements, while supporting sustainable development and protecting the public interest	Homes for All	ES1	Assurance	Medium	Q1
Climate Strategy	EHO	Assurance of the governance and control framework to support the delivery for a carbon neutral Council by 2030.	The future and financial sustainability	SC10	Assurance	High	Q3
Property Management	EHO	To assess whether the council's property management arrangements ensure effective governance, statutory compliance, financial stewardship, and optimal use of the council's land and buildings to support service delivery and value for money.	Skills, Economy and Regeneration	SC9	Assurance	High	Q4
Princess Hall	EHO	Assurance of the governance and financial management with emphasis on income collection and reconciliation.	Community and Wellbeing		Assurance	Medium	Q4
Agency Staff – Follow up	CMP	Follow up review of a 'no assurance' opinion concluded as part of the 2025/26 audit plan.	-		Assurance	High	Q2

Audit Assignment	Directorate Sponsor	Scope	Corporate Priority	Risk Register Reference	Assurance / Advisory	Internal Audit Risk Assessment	Quarter	
Armed Forces National Event	ED	To provide assurance on the delivery of expected outcomes and the effective and appropriate use of funds, including sponsorship payments.	Community and Wellbeing		Assurance	Medium	Q3	
Other								
Contingency - Devolution / Local Government Review	All	Time held for any potential work required to support the devolution and local government review agenda.	The future and financial sustainability	ST8	Advisory	High	Q1-Q4	
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 November 2025

IMD	Interim Managing Director	CMD	Corporate Manager, Democracy
ED	Executive Director	CMIT	Corporate manager, IT
EHF	Executive Head of Finance	CMLSMO	Corporate Manager, Legal Services & Monitoring Officer
EHO	Executive Head of Operations	CMP	Corporate Manager, People
EHPG	Executive Head of Property & Growth		

Contingency Reviews

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
Ethical Governance	To assess whether the local authority has effective frameworks, controls, and cultural practices in place to promote ethical conduct, uphold public trust, and ensure decision-making aligns with statutory and ethical standards.	-		Assurance	Medium	CMLSMO
Crematorium	Assurance over process and controls to maintain organisational compliance with the requirements of the General Data Protection Act legislation.	Community and Wellbeing	SC3	Assurance	Medium	EHO
Debt Recovery	To assess whether the council has effective, efficient, and compliant arrangements in place to manage and recover debts across key income streams.	The future and financial sustainability		Assurance	Medium	EHF

SIAP – Local Authority

Horizon Scanning

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SIAP maintain representation across a number of national forums gaining a knowledge and oversight of key and emerging risks within the sector. This coupled with the intelligence built across our Partner / client portfolio provides opportunity to pool collective knowledge enabling consideration of existing and emerging risk exposures as part of our planning within each of the organisations within which we operate.

The areas highlighted below are not exhaustive and may not necessarily constitute an internal audit review in all organisations, instead it provides a point of reference to discuss with stakeholders as part of the planning process.

National
<p>Cyber</p> <p>With increased reliance on digital platforms, local government becomes more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount. Local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves. Building resilience in the face of evolving threats is essential to maintaining public trust and the smooth functioning of local government operations.</p> <p>There has been a rise in the number of cyberattacks on local governments with hackers increasingly targeting them for ransomware and data breaches. These incidents can result in the theft of sensitive information and significant operational disturbance.</p> <p>Key forms of cyber-attack include, malware, phishing, password, man-in-the-middle, SQL injection, denial of service, insider threat, and cryptojacking.</p>
<p>Financial Resilience / Savings Realisation</p> <p>The lack of sufficient funding and volatile financial climate (inflation, supplier costs, interest rates, cost of living), coupled with rising demands for core services have created real financial challenges across the public sector. To meet future budget gaps organisations are having to deliver challenging transformation / savings proposals to generate ongoing savings and avoid the prospect of an unsustainable draw on reserves.</p> <p>There have been a significant number of local authority requests into Government for exceptional fundings or reports of councils narrowly avoiding having to issue Section 114 Notices.</p>

National

Climate Strategy

The Government have set some challenging targets for the reduction of greenhouse gas emissions. As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. Many organisations have adopted climate change strategies and ambitious action plans for delivery. Climate change sits at the heart of many organisations' corporate plans, objectives and priorities over the medium term and as such is a key deliverable.

Balancing economic development with environmental sustainability is a delicate task that requires strategic planning and community engagement in ways perhaps not previously considered.

Artificial Intelligence (AI)

AI can offer tremendous opportunities in the delivery of public services and the streamlining of business operations; however, this does not come without risk. Given the significant resource and funding constraints in local government, and resident expectation, councils need to be part of an AI-powered future. Risks in the adoption of AI centre around ineffective governance, insufficient data foundations, data infrastructure, lack of capacity or acumen etc.

Recruitment & Retention

As austerity continues to challenge local authorities, they become a less attractive proposition for those seeking employment. Having the right calibre and number of staff is vital to the delivery of high-quality services and to maintain sufficient organisational capacity.

Many councils are experiencing skills shortages. Given the planned transformation facing local government, there is real potential that councils may not have the experience and honed skills to strategically plan the navigation of that transformation. Adding in the potential risk from possible shortage of skill in project management, the risk associated with delivering that change whilst maintaining good governance and effective risk management, should become larger in councillor's minds.

Councils report an absence of long-term strategies to address workforce risks and analysis has determined root causal factors impacting upon the quality and confidence to address risks to be staff capacity and competence. Failing to address incompetencies within local authorities may place unnecessary and avoidable pressure on competent and skilled staff.

Inefficient and ineffective recruitment can hinder securing higher calibre candidates and lack of support, opportunity or management can inhibit retention. Recruitment issues may result in having interim staff in higher positions and financial pressures resulting in vacancy freezes for lower-level positions. Such actions can lead to risk of 'short-termism' which increases the risks associated with succession planning.

Cost of Living (income collection)

Implications relate closely to organisations financial resilience. The cost-of-living crisis has knock on effects of increased service pressures (housing, homelessness, housing benefits) in addition to pressure on income collection, Ctax, NNDR, debt collection etc. Further implications can extend to the financial instability of an organisation's contractors, suppliers and supply chain management etc.

Culture

The root cause to many of the current issues faced by local authorities is underpinned by the organisation's culture. As a result, local authorities are increasingly having to examine and assess the concept of culture and if it supports their strategy and mandate. Culture can be positive or negative:

- **Positive** – ambitious, collaborative, committed, forward thinking, resilient, optimistic, open to change etc,
- **Negative** – challenging, demoralised, out of touch, siloed, stressed, tired, toxic, uncertain etc.

National

Devolution

The transfer of powers and funding from national to local government. The Devolution Priority Programme is for areas who wish to move towards devolution at pace. The Minister of State for Local Government and English Devolution has outlined that participants must have local agreement to move forward around a sensible geographical footprint. The Devolution Priority Programme is for areas wishing to pursue the establishment of a Mayoral Strategic Authority. This will be with a view to inaugural mayoral elections in May 2028.

Risks relate to governance and compliance, financial management, and operational disruption when assessing devolution. Key risks include a loss of accountability, ineffective controls due to organisational changes, failure to comply with new laws or regulations, financial mismanagement, service disruption, and a negative impact on service delivery and efficiency.

Local Government Reorganisation

Local government reorganisation is the process in which the structure and responsibilities of local authorities are reconfigured. In the context of the English Devolution White Paper, the Government have set out plans to move away from the current two-tier system of district and county councils. The Government has indicated that for most areas this will mean creating councils with a population of 500,000 or more, but there may be exceptions to ensure new structures make sense for an area, including the devolution, and decisions will be on a case-by-case basis.

The Government have indicated that they intend to deliver new unitary authorities included in the Devolution Priority Programme by April 2027 and remaining unitary authorities by April 2028. Key risk areas between now and vesting day include decision making, transfer of assets, maverick spend, recruitment, retention, capacity, continuation of business as usual etc.

Digital

The accelerated pace of technological advancement poses both opportunities and challenges to local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, there is a risk of a digital divide, with some communities still lacking access or ability to navigate essential technology. Local Government need to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Initiatives can be hampered by a siloed approach (not taking a whole-council approach); lack of technical acumen, programme, project management skills / governance, vfm outcomes, and not learning from the experiences of others.

Sector Knowledge

Tree Management

Due to a range of issues (Ash Dieback, environmental conditions etc) the health & safety risks of falling trees have increased. Reviews undertaken across a number of Partners has highlighted poor levels of control with regard the effective inspection and maintenance of trees. Of particular concern are those where the public have access, tree lined highways and those located around schools. The absence of effective management and maintenance leaves a significant risk to the public and the vulnerability of the Council should an incident occur.

Local Plan

The Local Plan is a statutory requirement and guides how the communities and places across the district will develop over a 15- year period. Government has made it clear that all local authorities must have an up-to-date plan. Failure to do so could lead to intervention whereby the Government writes Local Plans and policies and could result in unplanned development in unsustainable locations. On 18 October 2024 a consultation closed on proposals to make local plans simpler, faster to prepare and more accessible.

Agency Staff

In the face of increased service pressures and the ongoing challenge of recruitment and retention it has been observed that there is a significant increase in the use of agency / interim staff. This is a costly alternative to recruitment and analytics in some organisations has seen some agency staff employed for a prolonged period questioning value for money, workforce management and decision making.

Procurement Act 2023

The Procurement Act came into effect from 24 February 2025. The main objectives of the act were to improve value for money which includes social and economic value across the full commercial lifecycle, increase transparency and accountability and improve collaboration and sustainable outcomes from procurement activity. Some councils have reported extensive impacts upon capacity of staff in aligning with requirements. Implementation guidance was issued to aid compliance expectations and maximise spending with small and medium enterprises (SMEs) as well as within the voluntary, charity and social enterprise sectors.

- Councils are feeling the pressure of raising costs, increased demand and financial pressures at the same time as being required to address legal obligations. Being aware of the wider implications for aligning efficiency with increase transparency, and associated accountability for demonstrating value for money with every procurement undertaken will have risks that need oversight and effective monitoring that reaches further than a procurement team.

Contract Management

Influenced by the Procurement Act 2023 the extended procurement life cycle necessitates a more integrated approach to procurement and contract management. Contracting Authorities should ensure that these functions are aligned to comply with transparency requirements and leverage the Act's flexibilities.

Even the best procurement framework may fail to deliver satisfactory outcomes if ongoing contract management is ineffective. To ensure that contracts deliver both economic and social value, local authorities need to ensure that a comprehensive contract management framework is in place and is adhered to consistently throughout the life of a contract. It is important that local authorities can demonstrate to the public that value is being delivered from the contracts that are held. As ongoing contract management is usually a separate function to procurement, its importance to ensuring that value is delivered may sometimes be neglected.

Sector Knowledge

Buildings – Statutory Checks

Reviews across a range of organisations has highlighted significant health & safety exposure in the absence of robust governance, control and management of statutory check (fire, wate, electric, gas, legionella etc.) within council owned buildings (both civic and housing). Common risks and exposures have been highlighted regardless of the delivery method (contract or in-house). The physical risk to occupiers of the buildings coupled with the reputational and financial risk to the organisation in the event of an incident sees this remain a key area of focus.

Homelessness

Under the Homelessness Act 2002, all housing authorities must have in place a homelessness strategy based on a review of all forms of homelessness in their district. The strategy must set out the authority's plans for the prevention of homelessness and for securing that sufficient accommodation and support are or will be available for people who become homeless or who are risk of becoming so. Demand against a limited housing provision can lend itself to expensive and extended alternatives.

Affordable Housing

The shortage of affordable housing continues to be an issue. Local authorities face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements alongside wider climate emergency declaration pledges. Ongoing collaboration with private developers to provide innovative housing solutions will inevitably need to be further explored.

Housing – Consumer Standards

In the midst of increased Housing Ombudsman activity focused on key service failures, the rollout of new Government policies aimed at increasing the supply of social housing, consultation around Awaab's Law, and the conclusion of the Grenfell tower inquiry, the Regulator of Social Housing (RSH) introduced a set of Consumer Standards. These are designed to drive improvements in the quality of services provided to tenants, while ensuring Registered Providers (RPs) (both local authorities and housing associations) maintain a strong compliance framework.

The RSH has taken a more proactive approach to regulating the sector and in April 2024 introduced a programme of regulatory inspections around the Consumer Standards. This will be for all RPs, but particularly for local authorities that were not subject to In-Depth Assessments previously.

Planning Reform

Recently the Government consulted on changes to The National Planning Policy Framework and changes to the planning system, which will have an impact on local authorities once the outcome is known. It will be important for all local authorities to assess the impact of these changes and ensure that they have an action plan to implement the changes.

Damp & Mould

Damp and mould can affect tenants' physical and mental health. Everyone is vulnerable to the health impacts of damp and mould, but people with certain health conditions, children and older adults are at greater risk of more severe health impacts (see 'People at increased risk from damp and mould'). Private and social landlords must adhere to a number of regulations related to damp and mould. A lack of compliance can place a landlord at risk of prosecution or financial penalties.

Governance / Statutory

- | | |
|--|--|
| <ul style="list-style-type: none"> • Grants • Annual Governance Statement • Risk Management • Fraud Frameworks • Information Governance (DPA / FOI, SAR) • Key Financial Systems | <ul style="list-style-type: none"> • Business Continuity Planning • Health & Safety • Ethical Governance • HR (general) • Project and Programme Management • Equalities, Diversity & Inclusion (EDI) |
|--|--|

AUDIT AND GOVERNANCE COMMITTEE

Head of Partnership
REPORT NO. SIAP 26/0525th March 2026**INTERNAL AUDIT PROGRESS REPORT****SUMMARY:**

As required by the Global Internal Audit Standards in UK Public Sector this report presents the Internal Audit Progress Report.

- The Internal Audit Progress Report (Appendix A) provides the Audit and Governance Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of key updates pertinent to the discharge of the committee's role in relation to internal audit.

RECOMMENDATION:

Members are requested:

- to **note** the Internal Audit Progress Report (Appendix A).

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
- 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 In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), the Chief Internal Auditor is required to provide a written status report to the Audit & Governance Committee, summarising:
- ongoing confirmation or otherwise regarding independence, and impairment [Standard 7.1]
 - a summary of significant issues and escalation of matter of importance [Standard 8.1]
 - overview and sufficiency of resourcing [Standards 8.2, 10.1, 10.2, and 10.3]
 - communicating of unresolved issues that fall outside of the Council's risk tolerance [Standard 11.5]
 - update on progress and any changes to the annual audit plan [Standard 9.4]
 - internal audit performance measures [Standard 12.2]
 - status of 'live' internal audit reports and status on the implementation of management actions [Standard 15.2]
- 1.4 Appendix A summarises the activities of internal audit for the period up to February 2026

2 Recommendation

- 2.1 Members are requested to note the Internal Audit Progress Report (Appendix A)

AUTHOR: Neil Pitman, Head of Southern Internal Audit Partnership
Neil.pitman@hants.gov.uk

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



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

**Internal Audit Progress Report
Rushmoor Borough Council**

Prepared by: **Neil Pitman, Head of Partnership**

February 2026

1. 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.'

The role of internal audit is best summarised through its definition within the Standards, as an:

'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.

2. Internal Audit Standards

With effect from 1 April 2025, the 'Standards' against which internal audit within the public sector must conform 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 are referred to as the Global Internal Audit Standards in the UK Public Sector.

3. Purpose of Report

In accordance with proper internal audit practices (Global Internal Audit Standards in the UK Public Sector), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to Senior Management and the Audit & Governance Committee, summarising:

- The monitoring of 'live' internal audit reports
- an update on progress against the annual audit plan and any subsequent revisions
- acknowledgement of any actual or perceived impairments to internal audit independence
- internal audit performance, planning and resourcing issues
- results of audit assignments and insights.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of controls in place focusing on those designed to mitigate risks to the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

4. Resourcing

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 (2025/26) and in the fulfilment of the audit mandate and delivery of the internal audit strategy.

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

I have not been made aware of any implications on organisational capacity that may adversely affect the delivery of the internal audit plan.

5. Independence

As your chief internal auditor, I retain no roles or responsibilities that have the potential to impair my independence, either in fact or appearance. Internal auditors engaged in the delivery of the 2025-26 internal audit plan have had no direct operational responsibility or authority over any of the activities reviewed. I can confirm there has been no interference encountered relating to the scope, performance, or communication of internal audit work during the year to date in the delivery of the internal audit plan or the fulfilment of the internal audit mandate.

6. Impairments

There have been no impairments to internal audit activity during the year. The internal audit function has remained free from all conditions that threaten our ability to carry out responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. The internal audit team have maintained an unbiased mental attitude allowing them to perform engagements objectively enabling them to believe in their work product, with no compromise to quality, and no subordination to their judgment on audit matters, either in fact or appearance.

7. Rolling Work Programme

The internal audit plan for 2025-26 was originally presented to Senior Management and approved by the Corporate Governance Audit & Standards Committee in April 2025. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed below.

Audit Review	Sponsor	Scoping Held	ToR Issued	Fieldwork Start	Draft Report	Final Report	Assurance Opinion	Comment
Disabled Facility Grants	EHO	01.05.24	03.06.24	17.06.24	11.10.24	13.06.25	Limited	2024/25
Capital Programme	EHF	22.07.24	03.09.24	18.09.24	23.04.25	04.09.25	Reasonable	2024/25
Effectiveness of Financial Rules	EHF	23.09.24	13.11.24	18.11.24	28.05.25	22.07.25	Limited	2024/25
NNDR Billing, Collection, Recovery	EHF	09.10.24	07.11.24	16.12.24	30.04.25	11.07.25	Reasonable	2024/25
FMS & Bank Reconciliations	EHF	07.11.24	16.01.25	04.03.25	27.05.25	21.07.25	Reasonable	2024/25
Sales Ledger	EHF	06.03.25	26.03.25	22.04.25	24.09.25	13.11.25	Reasonable	2024/25
Union Yard	EHF	27.01.25	07.07.25	28.07.25	02.10.25			
Pay360	CMIT	12.02.25	21.07.25	20.08.25	22.09.25	21.10.25	Limited	
Procurement	EHF	20.05.25	10.06.25	30.06.25	13.08.25	19.09.25	Reasonable	
Financial Recovery Plan	EHF	15.05.25	28.05.25	25.06.25	26.08.25			
LGA Peer Review – Action Plan	IMD	04.06.25	27.06.25	04.07.25	26.08.25	19.11.25	Substantial	
Agency Staff	EHF	26.06.25	07.07.25	28.07.25	07.10.25	30.12.25	No	
Budget Management	EHF	28.07.25	08.10.25	12.09.25	14.11.25	25.02.26	Reasonable	
Risk Management	ED	08.10.25	13.10.25	05.11.25	04.02.26			
Cyber Security – Training & Awareness	CMIT	13.10.25	27.10.25	21.11.25	12.02.26			
Treasury Management	EHF	20.10.25	27.10.25	19.11.25	15.12.25	24.02.26	Reasonable	
Recruitment & Retention	CMP	14.10.25	24.10.25	17.12.25	09.02.26			
Temporary Accommodation	EHO	20.10.25	30.10.25	08.12.25	26.02.26			
Asset Management & Disposal	EHPG	14.01.26	18.02.26	12.03.26				
Programme / Project Management	EHO	22.07.25	11.11.25	28.11.25				
Contingency – Devolution & LGR	IMD	N/A	N/A	N/A	N/A	N/A	N/A	

IMD	Interim Managing Director	CMD	Corporate Manager, Democracy
ED	Executive Director	CMIT	Corporate manger, IT
EHF	Executive Head of Finance	CMLSMO	Corporate Manager, Legal Services & Monitoring Officer
EHO	Executive Head of Operations	CMP	Corporate Manager, People
EHPG	Executive Head of Property & Growth		

8. Adjustment to the Internal Audit Plan 2025-26

Internal Audit focus continues to be proportionate and appropriately aligned. The plan remains fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, Senior Management, and Audit & Governance Committee, to ensure internal audit are able to react to new and emerging risks and the changing needs of the Council.

Such amendments to the 2025-26 internal audit plan are detailed below with explanations for the proposed amendments.

Additions	Audit Review	Reason for inclusion in the plan
	None	N/A
Withdrawals	Audit Review	Reason for removal from the plan
	Contract Management	To accommodate a commissioned fraud / irregularity review
	IT Contingency	

9. Acceptance of Risk

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 are considered by internal audit to fall outside of the Council's risk tolerance, these will be escalated to Senior Management and Audit & Governance Committee as deemed necessary.

There are no such instances to report from our delivery of the 2025–26 internal audit plan to date.

10. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There are no limited or no assurance opinions to report since the last progress report in January 2026.

11. Analysis of 'Live Audit Reviews'

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions											
				Agreed			Pending			Complete			Overdue		
				L	M	H	L	M	H	L	M	H	L	M	H
IT Software Development	2022/23	CMIT	Reasonable	2	8	1	-	-	-	2	4	1	-	4	-
Information Governance	2022/23	CMLSMO	Reasonable	1	9	-	-	-	-	1	7	-	-	2	-
Crematorium	2022/23	EHO	Reasonable	-	9	1	-	-	-	-	8	1	-	1	-
Biodiversity BNG	2024/25	EHO	Reasonable	-	6	2	-	-	-	-	5	2	-	1	-
Elections	2024/25	CMD	Reasonable	5	-	-	3	-	-	2	-	-	-	-	-
Disabled Facility Grants	2024/25	EHO	Limited	1	10	8	1	-	-	-	10	7	-	-	1
Effectiveness of Financial Rules	2024/25	EHF	Limited	1	5	2	-	1	-	1	3	2	-	1	-
Pay 360	2024/25	EHO	Limited	2	6	7	1	-	-	1	3	7	-	3	-
Sales Ledger	2024/25	EHF	Reasonable	-	3	-	-	2	-	-	-	-	-	1	-
Procurement	2025/26	EHF	Reasonable	-	-	4	-	-	4	-	-	-	-	-	-
Agency Staff	2025/26	CMP	No	-	11	12	-	11	12	-	-	-	-	-	-
Budget Management	2025/26	EHF	Reasonable	1	3	-	1	3	-	-	-	-	-	-	-
Treasury Management	2025/26	EHF	Reasonable	2	6	-	2	6	-	-	-	-	-	-	-
Total				15	76	37	8	23	16	7	40	20	-	13	1

Overdue 'High Priority' Management Actions

Disabled Facilities Grants

Observation:

The Rushmoor Borough Council Retention Guidelines state that the retention period for grants made through RBC, is six years after the last payment. It is also a requirement of the Data Protection Act 2018 to not keep data for longer than is necessary.

The Private Sector Housing Manager stated there is a known issue with retention adherence and support had been sought through the IT department, however, this remains a known issue that retention guidelines are currently unable to be maintained and complied with. Data from 2010 is currently still in circulation.

It was also stated that retention adherence has not been possible to maintain within the UNIFORM system site.

Risk:

Breach of GDPR regulations leading to action from the Information Commissioners Office (ICO).

Management Action	Original Due Date	Revised Due Date	Latest Service Update
This issue has been raised with the Senior IT Manager at Rushmoor. They are looking at a way forward and we will continue to chase a positive outcome to this risk. A response has been received from our IT team which confirms that we are currently working on a move across to IDOX Cloud for all Uniform applications throughout the Council. Once we go live there are retention capabilities available within the system. Meetings are taking place to discuss this transition which will enable us to address the problem.	30.09.25	TBC	This issue is part of a wider issue in the organisation for users of IDOX and UNIFORM. The matter is being dealt with at a corporate level.

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority		Due Date	Revised Due Date
			Low	Medium		
IT Software Development				1	-	28.02.26
				1	-	28.02.26
				1	-	28.02.26
				1	-	28.02.26
Information Governance	2022/23	Reasonable		1	Sep 2023	31.03.26
				1	Sep 2023	31.03.26
Crematorium	2022/23	Reasonable		1	Dec 2022	28.02.26
Effectiveness of Financial Rules	2024/25	Reasonable		1	31.12.25	31.04.26
Pay360	2024/25	Limited		1	31.12.25	30.09.26
				1	31.12.25	31.03.26
				1	31.12.25	31.03.26
Sales Ledger	2024/25	Reasonable		1	30.11.25	31.01.26
Biodiversity BNG	2024/25	Reasonable		1	30.05.25	31.04.26
Total			-	13		

Southern Internal Audit Partnership - Performance Measures

Performance Measure	Regularity	Target	Actual 25/26	Status	Direction of Travel
1. Percentage of the agreed audit plan completed (issue of draft / final report)	Ongoing	90%	85%		n/a
2. Audits delivered within agreed timescales (% year to date)					
○ To issue of draft report	Ongoing	80%	50%		n/a
○ To issue of final report	Ongoing	80%	0%		n/a
3. Conformance with the Global Internal Audit Standards in the UK Public Sector	Annual	Generally conforms	Generally conforms		
4. Audits conducted optimising the effective use of data analytics (% year to date)	Ongoing	60%	50%		n/a
5. Stakeholder satisfaction (annual survey)					
○ Audit Committee	Annual	90%	n/a	n/a	n/a
○ Senior Management		90%	n/a	n/a	n/a
○ Key Contacts		90%	n/a	n/a	n/a
6. Internal audit effectively communicates with key stakeholders					
○ Audit Committee	Annual	90%	n/a	n/a	n/a
○ Senior Management		90%	n/a	n/a	n/a
○ Key Contacts		90%	n/a	n/a	n/a
7. Sufficiency of input to and discussion of the internal audit plan					
○ Audit Committee	Annual	90%	n/a	n/a	n/a
○ Senior Management		90%	n/a	n/a	n/a
8. Appropriate focus on key risks					
○ Audit Committee	Annual	90%	n/a	n/a	n/a
○ Senior Management		90%	n/a	n/a	n/a
○ Key Contacts		90%	n/a	n/a	n/a

**AUDIT AND GOVERNANCE
COMMITTEE****EXECUTIVE HEAD OF FINANCE****25 MARCH 2026****REPORT NO. FIN2610****KEY DECISION? NO****ACCOUNTING POLICIES FOR THE YEAR 2025/26****SUMMARY AND RECOMMENDATIONS:**

This report reviews the proposed accounting policies to be applied for the closure of the 2025/26 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) Audit and Governance Committee adopt the accounting policies including the amendment disclosed at Appendix 1 for closure of the 2025/26; and,
- (ii) The Committee notes the updated disclosures and internal level of materiality to be included within the statement of accounts for 2025/26.

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 Audit and Governance 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 year's CIPFA Code to ensure the current Accounting Policies are in line with the statutory requirements as set out.
- 2.2. During 2025/26 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 2025/26

Accounting Policies

- 3.1. The accounting policies have not changed compared to the policies applied for the previous financial year (2024/25), other than for the following reasons:
 - (a) Updated the xix. Property Plant and Equipment policy to appropriately reflect the new requirements of applying indexation to applicable assets not valued formally in year.
 - (b) Included a new policy xxv. Capitalisation Criteria to cover the capitalisation of borrowing costs. This is not a change from the current process but bringing additional transparency and clarity to the accounting policies following an audit request in 2023/24.
 - (c) Date references relating to the financial year

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 2025/26 Code.

Materiality

- 3.2. The External Auditors for the Council, Ernst & Young, have set a financial materiality level for the 2025/26 audit. This is (TBC at committee if available) (24/25 £2.027m) which equates to 2% of 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 2025/26 accounts have commenced and disclosures will be reviewed against the previous years' disclosures in line with above stated level of materiality.

4. CHANGES FOR 2026/27

- 4.1. Best practice is to agree the Accounting Policies for the upcoming year ahead of year end. The 2026/27 CIPFA Code has not yet been published, however there are no known material changes for 2026/27.
- 4.2. To ensure appropriate consideration of these changes and the necessary changes to the Accounting Policies for 2026/2, it is proposed to present the 2026/2 Accounting Policies later in the year, once the CIPFA Code 2026/27 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 2025/26.
- 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 2025/26

BACKGROUND DOCUMENTS:

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes For 2025/26 Accounts

CONTACT DETAILS:

Report Author – Rosie Plaistowe-Melham, rosie.plaistowe@rushmoor.gov.uk

Head of Service – Peter Vickers, 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. From 1 April 2025, applicable assets are valued on a five-year basis with annual indexation applied in the intervening years between formal valuations.

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.

Indexation

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) introduced a revaluation expedient for property, plant and equipment. Under this expedient, assets are subject to a formal professional valuation once every five years, or on a five-year rolling

basis, with annual indexation applied in the four intervening years. In rare cases where no suitable index is available, a desktop revaluation is required in year three of the cycle.

Indexation is applied as at 31 March each year to the closing net book value of assets, using appropriate published indices selected with regard to the asset type and location. The Council does not produce its own indices and uses externally available indices. For property assets valued using depreciated replacement cost (DRC), the BCIS all-in Tender Price Index (TPI) is used. For property assets valued to existing use value (EUV) by market comparison, indices based on property transactional evidence are used. The choice of index for each category of asset is a matter of professional judgement, made in consultation with the Council's valuers and agreed with the Chief Financial Officer. The same index is applied consistently to groups of assets valued using the same valuation methodology with similar characteristics.

The indexation gain or loss is calculated as the year-on-year percentage change in the relevant index, applied to the closing net book value of the asset. Where indexation results in an increase in the carrying amount of an asset, the debit to property, plant and equipment is matched by a credit to the Revaluation Reserve, except where it reverses a previously recognised loss, in which case it is credited to the Surplus or Deficit on the Provision of Services up to the amount of the original loss. Where indexation results in a decrease in the carrying amount of an asset, the decrease is first charged against any existing balance in the Revaluation Reserve for that asset, with any excess debited to the Surplus or Deficit on the Provision of Services.

Accumulated depreciation at the date of applying indexation is eliminated against the gross carrying amount of the asset, so that the carrying amount after indexation equals the indexed value (the elimination method). These changes are applied prospectively from 1 April 2025, with no restatement of prior year figures.

Indexation is applied to the following asset categories: other land and buildings; vehicles, plant, furniture and equipment; surplus assets; and right-of-use assets measured at current value. Indexation does not apply to council dwellings, infrastructure assets, community assets, assets under construction, heritage assets, investment properties or non-property assets held at depreciated historical cost as a proxy for current value.

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.

xxv. Capitalisation Criteria

Borrowing Costs - The Council has adopted a policy under IAS 23 'Borrowing Costs' to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are, that are to be capitalised.

- Qualifying Assets – Assets that take a substantial period of time to get ready for their intended use or sale, where this would cause a significant balance of borrowing costs to accrue.
- Borrowing costs – Where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income. Where funds are borrowed generally a capitalisation rate is used based on the weighted average of borrowing costs during the period.

The Council only capitalises borrowing costs when in addition to the above it becomes probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the borrowing costs can be measured reliably.

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