

22nd MAY 2025

INTERNAL AUDIT - ANNUAL AUDIT OPINION – 2024/25

SUMMARY:

This report presents the Internal Audit Managers independent annual audit opinion for 2024/25 on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control environment.

RECOMMENDATIONS:

Members are requested to:

- I. Note the Audit Opinion given for governance, risk management and internal control for 2024/25;
- II. Note the self-assessment exercise against the PSIAS.

1 Introduction

- 1.1 In accordance with the Accounts and Audit (England) Regulations 2015, the Audit Manager is required to report, on an annual basis, on the overall adequacy and effectiveness of Rushmoor Borough Council's framework of governance, risk management and control (GRC).
- 1.2 The report in Appendix 1 sets out the internal audit work carried out within 2024/25 and the coverage of work carried out to enable the Audit Manager to form this opinion.
- 1.3 Furthermore, annually the Audit Manager is required to carry out a self-assessment on the internal audit activities conformance with the Public Sector Internal Audit Standards (PSIAS) and communicate this to the Corporate Governance, Audit and Standards (CGAS) Committee. The report details the outcome of the self-assessment carried out.
- 1.4 The internal audit plan for 2024/25 was approved by this Committee on the 20th March 2024 (AUD24/03).

2 Audit Opinion

- 2.1 The report within Appendix 1 sets out the work which was relied upon in order to assist with the assessment and the level of assurance obtained for the Council's Internal Control, governance and risk management

- 2.2 An assurance level has been provided to each of these areas in order to provide a clear assessment.
- 2.3 As of March 2025 the Internal Audit Manager changed roles within the Council and the Southern Internal Audit Partnership was engaged to fulfil the internal audit requirement for the Council. However, due to being in post for majority of the 24/25 financial year, the preceding Internal Audit Manager has provided the Internal Audit Opinion for 24/25.

3 Conclusion

- 3.1 Sufficient assurance work has been completed within the year to enable an audit opinion to be provided on Rushmoor Borough Council's Governance, Risk Management, and Control framework.
- 3.2 Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.
- 3.3 A self-assessment against the PSIAS showed that Internal Audit are compliant with the standards.

AUTHOR: Nikki Fleming, Financial Governance Manager
01252 398810
nikki.fleming@rushmoor.gov.uk

HEAD OF SERVICE: Peter Vickers, Executive Head of Finance & S151
01252 398440
peter.vickers@rushmoor.gov.uk

AUDIT OPINION

2024/25

1. Role of Internal Audit

- 1.1 The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 which states that a relevant body 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 The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2016 [*the Standards*]. The role of Internal Audit is best summarised through its definition within PSIAS, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

- 1.3 Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to the Internal Audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Purpose of the Audit Opinion

- 2.1 The purpose of an internal audit opinion is to provide assurance that internal controls in place are adequate to mitigate risks, governance and risk management processes are effective and efficient to assist the Council in achieving its objectives.

3. Audit Coverage to support the Opinion

- 3.1 The following areas have assisted with the formulation of the audit opinion:
- The audit plan, which was developed to enable a spread of audits to across the Council to ensure an appropriate assessment of the internal control environment.
 - Key Financial audits carried out over the last 3 years and the movement of the assurance from previous reviews.
 - The Council’s achievement of Public Services Network (PSN) certification
 - Audit recommendations accepted and implemented by Management
 - External reviews carried out
 - Attendance at Corporate Governance Group and Information Governance Group
 - Risk Registers and the reporting of risks
 - Follow ups carried out where limited assurances have been given within the previous financial year.

4. Audit Opinion

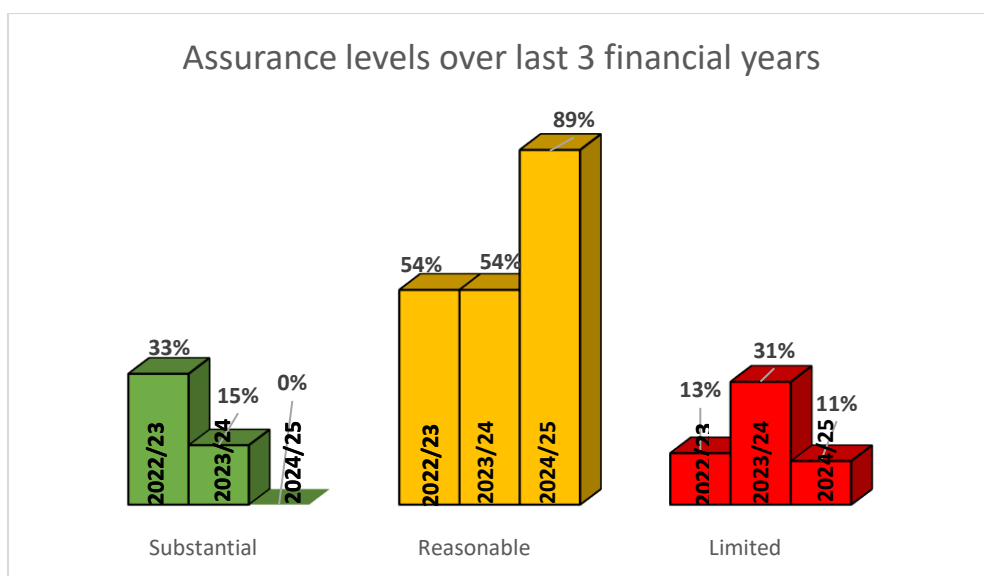
- 4.1 In accordance with the Accounts and Audit (England) Regulations 2015, the Audit Manager is required to report on an annual basis, the overall adequacy and effectiveness of Rushmoor Borough Council's framework of governance, risk management and control.
- 4.2 In prior years an overall audit opinion has been provided across all three areas of the framework. To provide further clarity and in line with recommendations made by CIPFA in their review of Internal Audit, separate opinions will be provided for the internal control environment, risk management and governance arrangements.
- 4.3 Assurance levels which could be given are set out below:

Assurance Level	Definition
Full	A comprehensive system of internal controls is in place designed to achieve the system/function/process objectives. These controls are operating effectively and are being consistently applied.
Substantial	Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.
Reasonable	Basic controls designed to achieve the system/function/process objectives, are in place. Improvements are required if key controls are to be established.
Limited	Minimal controls designed to achieve the system/function/process objectives, are in place. Significant improvements are required if key controls are to be established.
No assurance	No controls that achieve the system/function/process objectives, are in place.

- 4.4 In giving these opinions, assurance can never be absolute, as internal audit cannot review every decision and transaction of the Council. Therefore, only a reasonable assurance can be provided that there are no major weaknesses in the Council's processes reviewed and any reliance placed on other sources of assurance.
- 4.5 During the 2024/25 financial year the Audit Manager role transfer to the Southern Internal Audit Partnership from the start of March. Therefore, there is a caveat that this opinion is provided by the preceding Audit Manager up to the end of February 2025.

Internal Control Environment

- 4.6 The audit plan for 2024/25 provided coverage from across the Council and provided 9 assurance levels in which have been included within the formation of the opinion on the internal control environment within the Council. (Appendix A details the audits completed/ substantially completed, and the assurance level provided) The graph below shows the percentage trend over the last 3 financial years for the assurance levels provided.



- 4.7 The above graph shows that this financial year there has been a decrease in the substantial assurance levels whilst the reasonable level has substantially increased. There has also been a decrease in the limited assurance provided.
- 4.8 Internal audit reviews key financial systems on a 3-year rolling basis. The below table shows the level of assurance provided for each of these systems across the 3 years along with the direction of travel from the previous level of assurance provided.

Key financial system	Assurance level in the last 3 years	Direction of travel from previous assurance provided	Year of last audit
Purchase Ledger	Reasonable	↑	23/24
Payroll	Reasonable	↓	23/24
Council Tax	Reasonable	↓	22/23
Treasury Management	Substantial	↔	22/23
Cash receipting	Reasonable	↓	22/23
Benefits	Substantial	↔	21/22
Financial Management System (FMS) & Bank Reconciliation	Reasonable	↓	24/25
National Non Domestic Rates	Reasonable	↔	24/25
Sales Ledger	Reasonable*	↓	24/25* (Testing currently underway)

- 4.9 The 3 key financial systems which were within the audit plan for 24/25 were, Financial Management System (FMS) & Bank reconciliation, National Non-Domestic

Rates (NNDR) and Sales Ledger. *Due to resource constraints in the service the Sales Ledger audit was requested to be carried out later in the financial year. Whilst testing is under way this has not been substantially completed at the time of this report and therefore previous years assurance has been included within the table above but does not necessarily show the outcome. This will be communicated to the Committee upon completion and will be included within the audit opinion for 25/26.

- 4.10 The downward trend from previous assurances were predominately in previous years and until an updated audit is carried out it would be unclear if these areas have improved. Although, it should be noted that the recommendations made, for the above audits, have been implemented. It should be further highlighted that no limited assurances have been provided for the Council's key financial systems.
- 4.11 Specific follow up audits are carried out, the following financial year, where limited or no assurances have been given. As limited or no assurances are significant these areas should be given priority focus from senior management to close the gaps highlighted therefore assurances should improve.

Follow up audit	Follow up assurance level	Direction of travel
2022/23		
S106/ SANGS	Substantial	↑
Taxi Licensing – fee process	Substantial	↑
Application Patch Management	Reasonable	↑
Alderwood Leisure Centre*	Limited	↑
2023/24		
Estates Management & Commercial letting	Substantial	↑
Purchase Ledger	Reasonable	↑
Insurance	Limited	↔
Guest House	Limited	↔
2024/25		
Procurement Cards	Substantial	↑

*Alderwood Leisure was in the process of being transferred back to the school and previously had been given No assurance.

- 4.12 The review of follow ups carried out this financial year shows an increase in the improvement of areas which have previously been given a limited assurance. A follow up audit has not been carried out for insurance as a partnership has now been entered into with the London Borough of Sutton. The process of which was discussed at with CGAS Committee and addressed the weaknesses previously identified by the audit.
- 4.13 Recommendations are made for each audit carried out to improve the area under review. The recommendations are categorised as high, medium or low. Periodical reviews are carried out to determine the status of the recommendations and these are separately reported to CGAS Committee and Senior Management.

- 4.14 The Council has achieved Public Services Network certification. This reviews the Council's security network and provides recommendations for improvement. Assurance is taken from this assessment that the IT network controls in place are sufficient.
- 4.15 In summary, based on the information set out above it would demonstrate that the Council's internal control environment is reasonable. The level of substantial assurances has decreased however the level of reasonable has increased significantly, along with the limited assurances decreasing. No limited assurances have been given for the key financial systems across the 3-year cycle.
- 4.16 It is in the Audit Managers opinion that the internal control environment for Rushmoor Borough Council is **Reasonable**.

Governance

- 4.17 The Council took a view on outstanding audit recommendations given the passage of time and the evolution of processes over the years. As a result, a reduced number of recommendations were present to CGAS Committee as still outstanding. These will continue to be followed up for implementation.
- 4.18 Various lines of defence are in place to ensure that questions and oversight is carried out on various decisions made within the Council. The lines of defence are key to governance arrangements to ensure that processes are being followed and allow for informed decisions to be made.
- 4.19 A CIPFA and a peer challenge review was carried out in June 2024. As a result, action plans have been put in place to implement the recommendations made. The action towards implementation of these is monitored and reported on as part of the performance management process and specific officer groups have been set up to action the work required.
- 4.20 A Financial Resilience Plan (FRP) has been put in place to address some of the issues identified from the reviews. Regular updates are provided to senior management for review and scrutiny of progress towards the implementation of the action plan.
- 4.21 A draft self-assessment against the CIPFA Financial Management (FM) code had been carried out however, further work is required with regards to the action plan to ensure that the Council is compliant with the CIPFA FM code. Elements of this is also included within the Financial Resilience Plan (FRP) as well as an action point to implement from the Annual Governance Statement.
- 4.22 A self-assessment against the characteristics of good governance, whilst not compulsory, continues to be carried out annually by the Corporate Governance Group (CGG) with action points which are taken on by members of the group in order to improve governance.

- 4.23 The Council is committed to the highest possible standards of openness, probity and accountability. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Counter-fraud arrangements assist in the protection of public funds and accountability.
- 4.24 Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud or corruption, including an Anti-fraud, bribery and corruption policy and a Money-laundering policy.
- 4.25 The Council continues to conform to the requirements of the National Fraud Initiative (NFI). An annual Single Persons Discount (SPD) NFI exercise is carried out to match data from the Council tax system and the Electoral register. The Council submitted the required data sets for this in December 2024, with feedback on potential matches being received instantly. In addition to this the Council participated in the biennial NFI data match. Results from this will be worked through in 2025/26. Details are set out in Appendix B.
- 4.26 A self-assessment against the Public Sector Internal Auditing Standards (PSIAS) has been carried out. The Internal Audit section is fully compliant with the standards. The Southern Internal Audit Partnership (SIAP), who have been carrying out the audits for 24/25 and will provide the internal audit provision going forward are also fully compliant with the PSIAS.
- 4.27 Governance is the leadership of decision-making, culture, controls and accountability throughout the organisation. It is in the Audit Managers opinion that governance for Rushmoor Borough Council is **Reasonable**. Governance issues are addressed through the Governance group, and it has been acknowledged that work is to be done to improve the governance arrangements within the Council following the CIPFA and Peer challenge reviews.

Risk Management

- 4.28 The Council has in place Service Risk Registers and a Corporate Risk Register. Quarterly the overall changes are reported to the Corporate Management Team (CMT) for review and scrutiny. Following this the report is presented to Cabinet. CMT and Cabinet act as layers of defence to ensure that risks have been identified and where necessary actions taken to appropriately mitigate the risk.
- 4.29 There is insufficient evidence of detailed scrutiny over the risks, follow up actions, and mitigations suggested to minimise the risk from materialising.
- 4.30 A risk appetite statement has not been defined and agreed with Members. However, work is progressing in this area with a workshop being held and facilitated by an external consultant in order to define risk appetite for the Council.
- 4.31 It is in the Audit Managers opinion that risk management for Rushmoor Borough Council is **Reasonable**. Whilst a reasonable assurance has been provided the process continues to require improvement to ensure that it is an effective management tool rather than just process driven.

Appendix A

Assurance reviews				
	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
ELT/Corporate wide			<ul style="list-style-type: none"> Capital Programme 	
Finance		<ul style="list-style-type: none"> Effectiveness of Financial Rules 	<ul style="list-style-type: none"> NNDR FMS & Bank Reconciliation 	
IT, Facilities & Customer Services				
HR&OD				
ACE			<ul style="list-style-type: none"> Local Authority Housing Fund 	
Democracy			<ul style="list-style-type: none"> Elections 	
Operations			<ul style="list-style-type: none"> Princes Hall 	
Legal				
Regeneration				
Property & Growth			<ul style="list-style-type: none"> Biodiversity Building Control 	
	Advisory Work	Counter-Fraud		
ELT/Corporate wide		NFI		
Finance				
IT, Facilities & Customer Services				
HR&OD				
ACE				
Democracy				
Operations				
Legal				
Regeneration				
Property & Growth				

Appendix B**Anti-fraud and corruption****NFI**

The Council participates in the National Fraud Initiative (NFI). The annual Single Persons Discount (SPD) match provided 810 potential irregularities. These are currently being worked through by the Council Tax team. As of 13th May 2025, 3 cases have been identified as potential frauds with a total recovery value of £1.4k. A mailshot is due to be issued, and work will continue over the coming months to complete this review.

In 2023/24, 429 potential irregularities were provided by the NFI match, resulting in 48 potential frauds with a total recovery value of circ. £21k.

Appendix C

PSIAS – Self-assessment

The PSIAS and the Local Government Application Note (LGAN), together came into effect from April 2013 and supersedes the 2006 CIPFA Code of Practice for Internal Audit in Local Government.

A self-assessment against the standards for 2024/25 has been carried out by the Audit Manager. There are 11 overall standards, which are broken-down into 336 fundamental principles, against which to measure compliance. A summary of the findings is shown in the table below.

Aspect of Standards	No. of requirements in the standards	Standards not applicable at RBC	No. of applicable standards assessed	Compliance assessment		
				Yes	Partial	No
Definition of internal auditing	3		3	3		
Code of ethics	13		13	13		
<i>Attribute Standards</i>						
Purpose, authority & responsibility	23		23	23		
Independence & objectivity	30	7	23	23		
Proficiency & due professional care	21		21	21		
Quality assurance & improvement programme	27	3	24	24		
<i>Performance Standards</i>						
Managing the internal audit activity	47	1	46	46		
Nature of work	31		31	31		
Engagement planning	58	12	46	46		
Performing the engagement	22		22	22		
Communicating results	55	6	49	49		
Monitoring progress	4	1	3	3		
Communicating the acceptance of risk	2	2	0			
Totals	336	32	304	304		
				100%	0%	0%

An external assessment was carried out in 2023/24 and concluded,

‘The internal assessment has been reviewed by the Chief Internal Auditor at Basingstoke and Deane Borough Council who concluded the Internal Audit Service provided at Rushmoor Borough Council conforms with the PSIAS requirements.’