

## **Minutes of the meeting of the Audit and Governance Committee held in Conference Room 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Tuesday 24 March 2026 at 2.00 pm**

**Committee members present in person and voting:** Councillors: David Hitchiner (Chairperson), Mark Woodall (Vice-Chairperson), Chris Bartrum, Frank Cornthwaite, Robert Highfield, Aubrey Oliver and Dave Davies

**Non-Voting Committee Person:** K Diamond

[Note: Committee members participating via remote attendance, i.e. through video conferencing facilities, may not vote on any decisions taken.]

Others in attendance:

S Carter	Head of Strategic Finance (Deputy S151)
L Cater	Head of Internal Audit, South West Audit Partnership
S O'Connor	Head of Legal Services and Deputy Monitoring Officer
O Edwards	Manager, Grant Thornton
G Hawkins	Public Sector Audit Director Grant Thornton
N Mason	Councillor
J Preece	Democratic Services Officer
R Sanders	Director of Finance

### **124. APOLOGIES FOR ABSENCE**

Apologies were received from councillor Peter Hamblin.

### **125. NAMED SUBSTITUTES (IF ANY)**

Councillor Dave Davies attended the meeting as a substitute member for councillor Peter Hamblin.

### **126. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **127. MINUTES**

#### **RESOLVED:**

**That the minutes of the meeting held on 27 January 2026 be confirmed as a correct record and signed by the chairman.**

### **128. QUESTIONS FROM MEMBERS OF THE PUBLIC**

There were no questions received from members of the public.

## 129. QUESTIONS FROM COUNCILLORS

There were no questions received from councillors.

## 130. CONSTITUTION UPDATES

The Head of Legal Services introduced the report the purpose of which was to recommend changes to the constitution to Full Council.

- 10 recommendations had been prepared and were included in the appendices.
- Changes had arisen organically, largely from officers raising issues with parts of the constitution that “don’t make sense” and not from any individual member group.
- The aim was to identify and resolve issues early, avoiding problems at Full Council.
- Extensive consultation had taken place with officers, group leaders (twice) and political groups and external organisations including a prior meeting of the Audit and Governance committee.
- The committee were asked to approve the report going to Full Council.
- An additional recommendation to make minor changes in consultation with the Chairperson, due to a late group response that had not yet been reviewed was sought.

In response to committee questions, it was noted that;

1. The Monitoring Officer (MO) would exercise discretion on whether a repeat question was materially the same, whether circumstances had changed, or whether an original question was adequately answered.
2. Clearer guidance on questions was not included in the constitution but would be placed on line explaining the purpose of the changes and the reasoning behind restrictions, to avoid appearing to limit public participation. Reference of this would be added into the council final report. **(action 2025/26-12)**
3. The public questions register which recorded all past questions to support consistency and enforcement would be reintroduced with the possibility of publishing online to be explored. **(action 2025/26-13)**
4. It was clarified that the rule about “ongoing, repeat or business usual” capital schemes only applied to routine, recurring programmes such as school property maintenance, IT refresh cycles, or standard highway upgrades. Schemes where the same type of work is repeated each year, did not require a new full business case each time. However, this did not apply to multiphase projects. If phase one of a major project had a full business case approved, this did not remove the need for a new full business case for phase two. Each phase still required its own proper assessment unless it fell into the routine “repeat” category.
5. The aim of the LRP was to improve outcomes for everyone involved in parish and town council Code-of-Conduct issues. Personally the HLS agreed with the idea that if a parish or town council choose not to handle its own internal conduct matters and instead, asked the county council and Monitoring Officer to carry out a full investigation, then it would be reasonable for that council to pay the associated costs, noting that such investigations can be time consuming and resource intensive, and the principle is that councils should take responsibility for the problems they generated.

**Resolved that the committee approves the recommendations in the report to be submitted to the next available full Council meeting, and delegates any further changes to the Monitoring Officer/ Deputy MO in consultation with the chair of the committee.**

### 131. STATUTORY ACCOUNTS 2025/26 PROGRESS, ACCOUNTING POLICIES AND ESTIMATES

The Head of Strategic Finance (HSF) introduced the report the purpose of which was to provide an update on progress made against the 2025/26 statutory accounts workplan and present the accounting policies and estimates which informed the financial statements. The following principal points were noted.

- The council is on target to produce the draft statement of accounts by the 31 May 2026 and to be brought before the committee on 9 June 2026 for approval.
- Attention was drawn to [appendix 1](#), which set out the accounting policies used in the Statement of Accounts. One key policy had changed in relation to the revaluation of property, plant & equipment (PPE) which would now take place once every five years on a rolling basis with indexation being used in the intervening years.
- [Appendix 2](#) outlined the estimates and professional judgements applied in preparing the accounts, including those related to the PPE valuation changes. All estimates and judgements are subject to review by the council's external auditors, Grant Thornton.
- The statutory deadline to publish the unaudited accounts is 30 June 2026 and the deadline to publish the audited accounts is 31 January 2027. The team were on track, meeting all internal timelines and preparing well for audit.
- The final audited accounts and the audit opinion are planned for the 29 September 2026 committee.

#### Resolved

**That the committee deems the arrangements for the preparation of the 2025/26 statutory accounts as satisfactory; and approved the accounting policies.**

### 132. EXTERNAL AUDITOR'S DRAFT ANNUAL PLAN 2025/26

The draft External Audit Plan for 2025/26 sets out how the financial statements for the year ending 31 March 2026 would be audited. It was noted that;

- Materiality thresholds have increased due to the Major Local Audit threshold increasing from £500m to £875m gross expenditure, meaning the council was no longer classified as a major audit.
- Audit fieldwork was due to begin in June 2026 with a completion targeted before the 29 September 2026 Audit & Governance Committee. Early testing was already underway to ease the year end workload.
- Four significant risks, consistent with previous years were identified in Management Override of Controls, Valuation of Land & Buildings, Investment Property Valuations and Pension Assets & Liabilities.
- Two significant weakness in Value for Money (VFM) arrangements remained from the previous year with regards to the Dedicated Schools Grant (DSG) Deficit and Medium-Term Financial Plan (MTFP).
- No VfM risks were identified in governance or economy, efficiency, effectiveness.

In response to committee questions, it was noted;

1. There was no change to the current audit approach for pensions, with reliance on pension fund actuary and auditors remaining standard practice.
2. Materiality was explained as the financial threshold below which errors are not considered significant to the reader of the accounts.
3. The council holds majority stakes in two companies, 80% in Hoople and 100% in Cyber Quarter both of which are recorded in the councils group

accounts. In contrast, Maylord Orchards is treated as a council owned asset, with its income and expenditure reported directly through the council's normal budget processes and routine financial monitoring.

**Resolved that the committee approves the proposed external audit annual plan for 2025/26.**

**133. INTERNAL AUDIT UPDATE REPORT Q4 2025/26**

The Head of Internal Audit introduced the report confirming that six final reports had been completed since the committee's previous meeting, with three receiving high or substantial assurance. The audit team continued to track all agreed actions, noting that 19 actions were more than 90 days overdue. These outstanding items related to two historic audits, which were planned to be incorporated into the 2026/27 audit programme.

In response to committee questions, it was noted;

1. The Director of Finance (DOF) in relation to concerns raised regarding the Transport Hub report explained that discussions had taken place with SWAP about the audit findings. An independent industry expert had reviewed the project, and their conclusions differed from SWAP's report. Further joint work would be conducted to understand the inconsistencies. Internally, the transport hub project was rated green in the Q3 performance report and was progressing on schedule, with a commitment to provide the committee with a fuller briefing once the additional review was completed. **(action 2025/26-14)** It was acknowledged that lessons had been learned and reports would go through proper internal quality assurance and corporate leadership oversight before being brought to the committee in future.
2. It was explained that the council often brought in external experts for major projects, but the issue in this case was that the experts' findings were not shared with internal audit while both reviews were happening. The lack of coordination led to differing assurance opinions. A key lesson was to improve timely information sharing with internal auditors whenever expert reviews were underway.
3. The DOF explained that despite the limited assurance rating with regards to council tax report, she did not believe there were significant risks within council tax processes. A 98% collection rate, one of the highest nationally was highlighted and consistent surpluses reported in the collection fund. Whilst some improvements were planned, including reviewing single person discounts and strengthening bank reconciliations, these formed part of the normal cyclical work rather than indicators of significant issues. With the existing performance and controls in place she was not sure the limited assurance rating was warranted.
4. The DOF confirmed that the council actively worked to return historic council tax credits to residents but often struggled to trace people who had moved or changed bank accounts. These credits were kept safely on the accounts until confirmed. Although the total amount spanned decades, it represented only a tiny fraction of the amount collected annually.

**134. WORK PROGRAMME**

The committee noted the work programme.

**135. DATE OF NEXT MEETING**

Tuesday 9 June 2026.

The meeting ended at 3.16 pm

**Chairperson**