

## **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 27 January 2026 at 2.00 pm**

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

**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:

J Bharier	Independent Person
L Cater	Head of Internal Audit, South West Audit Partnership
C Christopher	Commercial Services Manager
J Coleman	Democratic Services Manager
B Davies	Senior Lawyer - Civil Litigation, Employment and Governance
G Hawkins	Senior Manager, Grant Thornton
J Nelson	Counter Fraud Manager
R Sanders	Director of Finance
P Stoddart	Cabinet Member Finance and Corporate Services

### **111. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

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

There were no named substitutes.

### **113. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **114. MINUTES**

#### **RESOLVED:**

**That the minutes of the meeting held on Tuesday 28 October 2025 be confirmed as a correct record and signed by the chairman.**

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

No questions had been received from members of the public.

## 116. QUESTIONS FROM COUNCILLORS

No questions had been received from councillors.

## 117. UPDATE TO FINANCE AND CONTRACT PROCEDURE RULES

The committee was informed that updates have been made to the Contract Procedure Rules, mainly to reflect changes in regulation and legislation arising from the Procurement Act, which came into effect in January 2026.

The committee was invited to review and approve updates to the Contract Procedure Rules (including their guidance notes). The purpose of these updates is to ensure the council's financial and contract governance arrangements remain current, transparent, and legally compliant. It was confirmed that no changes are proposed to the Financial Procedure Rules or the associated guidance notes; following a review they remain fit for purpose.

The committee received confirmation that the required changes arising from the Procurement Act have been incorporated into the revised Contract Procedure Rules, following extensive work with legal, commercial services, and finance teams. No further issues were raised, the committee proceeded directly to a vote.

**Resolved: *That the committee approves the updates to the Contract Procedure Rules in Appendix 1 in the constitution and notes that there are no changes recommended to the Finance Procedure Rules or Finance Procedure Guidance Notes.***

The vote was carried unanimously.

## 118. CODE OF CONDUCT FOR COUNCILLORS - 6 MONTH UPDATE

Committee members were informed that over the six-month review period 29 complaints were received. A long-term trend showed complaints had generally fallen since 2013, although this period (since April 2025) had seen numbers similar to the whole of the previous year because several complaints related to the same incidents and multiple councillors.

None of the complaints concerned Herefordshire Council members. Around 40% were parish or town councillors complaining about other parish or town councillors. Over the past three years, 34 such complaints were made, but only three progressed to investigation; the rest required no further action. Although most cases are dismissed early, they still required significant council resources to assess.

During this period, only one case was referred for investigation; two older cases remain on hold due to other statutory processes. 28 complaints were closed at initial assessment.

Sanctions recommended by the Monitoring Officer were generally followed, except in two cases involving Ledbury Town Council. Decision notices are published on the council's website.

The report noted efforts to promote an informal resolution, as agreed in July, aimed at reducing formal hearings. Feedback so far from parish and town councils had been mostly negative, with many saying the approach would not work for them. Thanks were given to the officer team managing and dealing with code of conduct complaints.

Committee members and attending participants drew attention to the effectiveness of the current standards complaints process and whether the system truly serves the electorate. Some examples were offered to contextualise this view – notably around the external frameworks that interplay with code of conduct issues:

- Delays caused by external processes – some complaints cannot be progressed because they are tied up in criminal proceedings that may not conclude until after the next council elections.
- Limited enforceability of sanctions – in some cases, recommended sanctions cannot be applied, weakening public confidence in the standards system.
- Some parish councils are unable to operate effectively due to internal disputes, with no mechanism for the council to intervene under current rules or legislation.

There was a good degree of interest about the current government review of the standards regime where some of these issues would be explored and may be addressed.

It was noted that the review would consider reforms to the Localism Act, noting that a mandatory code of conduct and new powers such as suspension are being considered. Further updates are expected from national government around September/October 2026, although timings remain uncertain.

Members considered the proposal for informal resolutions of code of conduct complaints. The potential of this approach could reduce the current resource-intensive and costly resolution process. Following consultation, however, there had been limited interest from Parish Councils, and at least one recent case could have been resolved informally but was forced to proceed formally.

Members discussed whether it was the right time to take a formal proposal on informal resolution to full Council. The general view was that more work was needed. Members would like to see and understand the views from the consultation feedback from parish and town councils to inform their proposals going forward.

**Resolved, that the Committee:**

- a) notes the update on the Code of Conduct complaints arrangements in respect to the first six months of 2025/26 to end of September 2025;***
- b) notes the initial response from Parish and Town Councils (PTCs) in relation to the concept of an Informal Resolution Protocol (IRP); and***
- c) on the basis that IRP is optional, to not recommend to full Council to adopt the change to the Code of Conduct arrangements at the current time.***

#### **Actions**

2025/26-10 Informal resolution process to be brought back to the next meeting of Audit and Governance for consideration; this in turn to inform whether there is scope to update the code of conduct to include an informal resolution option. Consideration to be given, also, as to whether an informal resolution proposal be included in the constitutional updates being considered at the next AGM Council meeting.

2025/26-11 Full analysis of the consultation with Town and Parish Council on their views around the informal resolution process would be provided to committee members.

## **119. INTERNAL AUDIT UPDATE REPORT QUARTER 3 2025/26**

It was reported that the committee have updates of the work that the internal audit team had conducted on behalf of Herefordshire Council on three reports on public rights of way (PROW); housing benefit and council tax reductions, and temporary

accommodation. Several audits are in progress, with 40 open agreed actions—down from 47 last quarter.

Committee members focused particularly on the PROW audit, noting three outstanding management actions:

- Improved strategic-level performance monitoring (priority 2).
- Creation of procedural documentation for PROW maintenance, governance, grants and routes to market (priority 3).
- Development of an annual service plan to support continuous improvement (priority 3).

Members expressed difficulty locating these actions clearly within the summary report and suggested improving the way actions are presented in future committee papers. Discussion acknowledged that although the operational risk rating for PROW is low, councillors emphasised the significant reputational and statutory risks arising from the council's legal duty to maintain the PROW network amid financial constraints. They stressed the need for continued visibility and follow-up. Members asked that Internal Audit continue to follow up these actions and consider including a further PROW audit in next year's risk-based plan.

The Committee noted the Council has a legal requirement to maintain our public rights of way to the level of the expected traffic along them. £1 million has been allocated to support parishes, but the committee indicated that only a small portion can be used for PROW, mainly for gate repairs, and the wider network requires much more work. Long-term underinvestment, combined with current financial constraints, means the council faces a continuing risk in meeting its statutory obligations.

It was asserted that the Cabinet champion public access and the Local Access Forum is becoming a more effective body in advocating on behalf of PROW. It was acknowledged, however, that the underlying tension between legal requirements and limited resources persists.

Members turned to the Housing Benefit and Council Tax Reduction audit, focusing on whether certain concerns should be treated as formal actions. There was uncertainty about whether some issues identified were the responsibility of Hoople or Herefordshire Council. Officers confirmed that the council is accountable for services delivered by Hoople through the Service Level Agreement (SLA).

The discussion broadened to the importance of supporting residents through Council Tax Reduction and other relief measures, with around 11,000 residents using CTR. Members praised Internal Audit for identifying issues beyond the scope and emphasised that such findings, while not formal actions, are still valuable for the committee to consider.

Members discussed challenges presented within the Temporary Accommodation audit, particularly around recharges and insufficient detail in records, which, it was suggested, limits effective oversight. The committee noted positively that the Temporary Accommodation Service has introduced a plan to reduce B&B use, in line with government guidance, supported by the council's recent capital investment. This includes refurbishing the John Venn building and purchasing several additional accommodation sites, with a further £10 million proposed for 2026/27 to expand suitable housing options. Members highlighted both the financial and ethical importance of reducing reliance on B&Bs, especially for young families.

Concerns were raised about the ongoing need to place families in temporary accommodation and asked how long it would take to substantially resolve the issue.

The committee discussed the status of several internal audit reports nearing completion. Officers confirmed that while many reports are progressing, there is no fixed deadline for internal audit work itself. Officers clarified that the audit plan has not been changed at this stage; internal audit is only one tool within the broader risk-management framework. Instead of adding new audits, the council is strengthening actions and mitigations within service areas, such as ensuring there is adequate project-delivery capacity.

**Resolved, that the Committee: *is satisfied that necessary improvements and assurances provided, and the recommendations presented in the report be noted.***

**Actions:**

2025/26-08 DOF and Internal Audit to explore what greater detail can be provided to the committee to explain process and provide further assurances.

2025/26-09 DOF and Internal Audit to consider the presentation/tracking options for clearer internal audit reporting.

## **120. ANTI-FRAUD, BRIBERY & CORRUPTION ANNUAL REPORT**

The committee were presented with the 2025 Annual Fraud Report which outlined the council's counter-fraud activity over the past year. The report covered fraud-related work across corporate fraud, parking enforcement, information security, and trading standards. It was noted that fraud poses a direct financial risk to the council, reducing funds available for essential public services. The latest report included multi-year data analysis to identify trends and additional background papers for benchmarking.

Notable achievements in 2025 included:

- A 78% reduction in successful cyber-fraud incidents.
- Over 5,000 proactive data-matching reviews.
- 89 fraudulent or misused blue badges seized.
- Herefordshire Council's Trading Standards leading a major national investigation.
- Joint investigations with Department of Work and Pensions (DWP) and the National Health Service (NHS) in areas such as council tax and social care fraud.
- The total value of counter-fraud activity in 2025 exceeded £350,000.

Members queried the corporate fraud workload, noting that 47 cases carried over from 2024 plus 141 new cases in 2025 seemed high.

Officers explained that cases are managed through a risk-rating system, with some types of fraud naturally taking longer to resolve.

Questions were raised about the reported 78% reduction in cyber fraud. Officers explained that improvements were due to multiple factors: better alerting systems, stronger device security (including upgrades to Microsoft 365), increased IT testing, and regular staff mandatory cybersecurity training. These measures have helped identify compromised devices quickly and reduce successful attacks.

Members explored the financial balance between fraud-prevention spending and recovered value. Officers clarified that although exact figures are difficult to isolate, the council clearly sees a positive return on investment when considering the combined work of fraud teams across different services.

Members further questioned the council's resilience to serious cyber-attacks, referencing high-profile breaches in other organisations. Officers emphasised that while the fraud

team oversees detection and management of fraud incidents, responsibility for wider cyber-security controls sits with the IT team.

The Committee requested more information on ICT preparedness to be presented to a future meeting to give further detail of the measures being taken to protect the council from fraudulent activity/cyber-attacks.

**Resolved, that the Committee: *note the annual fraud arrangements and confirm them as satisfactory and an accurate account of the latest counter fraud activity across services.***

Action 2025/26-07: The Director of Finance to bring detail (ICT preparedness) to the next committee (24 March).

## 121. UPDATE ON RISK MANAGEMENT ACTIVITY

The council's risk management approach and risk appetite were updated in June 2025. Senior officers have reviewed the Corporate Risk Register for September 2025 to update risk scores and check whether existing controls are still suitable. One new risk was added earlier in the year relating to the possible financial failure of a major supplier, but no new risks were added for Quarter 2. Key reporting to the committee focussed on:

**Risk about delivering capital and major projects:** This risk used to have a score of 9 (likelihood 3, impact 3). It has now increased to 12 because the impact of any overspend on the council's finances would be more serious than before. The likelihood of issues happening hasn't changed, but the consequences would now be greater. To manage this, the council is strengthening how it runs capital projects, focusing on whether teams have the right capacity and skills.

Despite the increased risk score, the council is currently performing well against its 2025/26 capital budget, with spending on track and projects generally progressing as planned.

**Risk about long-term financial sustainability:** This risk score has also gone up because of national changes through the fair funding review, which puts pressure on the council's future financial position. In response, senior officers reviewed the Medium-Term Financial Strategy (MTFS) in September and are now rapidly developing the 2026/27 budget and future plans for 2027/28 and beyond. The council is strengthening financial controls as part of this work.

**Assurance and governance:** These risks have been reviewed by the Corporate Leadership Team (CLT) and Cabinet, who confirmed that the changes in scoring are appropriate.

Whenever a score changed, officers reviewed whether the actions in place were still suitable or needed strengthening. In both cases, steps had already been taken to ensure the council is responding properly. The Internal Audit Plan had been aligned to these risks, and further work is underway to improve risk training, update guidance, and develop better dashboard reporting.

The committee noted that several significant risks, specifically R3 (SEND placement provision), Risk 6, Risk 8, and Risk 9 show no audit activity in the system. Officers explained that internal audit is not automatically required to assess every corporate risk. Internal audit helps assess whether controls in a service are effective, but it is not, in itself, a mitigation measure.

To take Risk 3 as an example, it is not explicitly listed in the audit plan, but related work had been undertaken through the Dedicated Schools Grant (DSG) audit, which is now nearly finalised. Officers had reviewed, challenged, and shaped the recommendations and would bring the report to the committee. Risk 6 – Workforce capacity – as another example is better handled by HR and organisational development, not internal audit.

It was explained that internal audit is only one part of the overall governance and assurance framework. This demonstrated that the right processes were in place and working as intended.

The Committee welcomed the ability to see the changes in the risk ratings between reports. There was confidence in the mitigation measures being put in place to manage the risks when and where the ratings (likelihood and impact) changed. The management of risks were not considered in isolation in terms of monitoring and mitigation; risks were reviewed collectively across the whole corporate leadership team.

**Resolved, that the Committee noted the activity to embed the revised risk management strategy and strengthen risk management activity across the council at Corporate, Directorate and Service levels; and confirmed that it wished to review future risk management activity updates on a quarterly basis.**

## **122. WORK PROGRAMME**

The work programme was considered. It was noted that two additional items for the March committee have been proposed.

- Reviewing proposals for an IRP – with a view to including proposal in constitutional updates to the CoC
- Assessing further information on ICT preparedness (in relation to anti-fraudulent activity/cyber-attacks)

The Chair will seek to confirm those items with the clerk.

## **123. DATE OF NEXT MEETING**

Tuesday 24 March 2026, 2pm.

The meeting ended at 3.56 pm

**Chairperson**