

# Draft Annual Report of the Audit and Governance Committee

## Role of the Audit and Governance Committee

The purpose of the audit and governance committee is to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes. The responsibility for functions are set out in paragraphs 3.5.9(e) to paragraph 3.5.15 of the [Council constitution](#).

## Brief summary of report

This is a draft annual report from the Audit and Governance Committee which provides an update on the work undertaken as a committee, during the municipal year. The senior officers who support the work of the Committee have each contributed sections to this report covering:

Accounts

Code of Conduct

Governance

Internal Audit

External Audit

Information Requests and Complaints. Service Requests, Enquiries, Compliments and LGSCO decisions

Regulation of Investigatory Powers

Risk Framework

Shareholder Committee

Waste Contract

## 1. Chairman's Introduction

The information summarises the work of the committee during the last municipal year and so is not new. The purpose is to put in one place an easy-to-read summary of the work of the committee.

I am pleased to draw attention to the Annual Audited Accounts which are amongst the first to be audited and signed off in the country for the past two consecutive years. This gives assurance that the Accounts are accurate and can be relied upon. This cannot be said for many Councils whose Audits are several years behind. My committee would like to thank the council officers who have worked hard to achieve this position.

## **2. Accounts**

### **Statutory Accounts 2024/25**

The Finance Team prepared the council's Statement of Accounts for 2024/25 and published one month ahead of the statutory deadline of 30 June 2025: presenting the draft, unaudited accounts to Audit & Governance Committee in June 2025.

In September 2025, the Audit & Governance Committee approved the audited Statement of Accounts and the Annual Governance Statement for 2024/25, providing assurance to Members and residents on the council's timely financial reporting processes, governance framework and internal controls in place throughout the financial year.

## **3. Code of Conduct**

During 2025/26, the Monitoring Officer received 52 complaints about alleged breaches of the Code of Conduct; 4 proceeded to formal investigation. There were 32 complaints in the previous year. 98% of complaints related to elected members of Town or Parish Councils (compared to 84% in 2024/25).

During 2025/26, a standards panel meeting was held in relation to complaints raised against a member of a parish/town council which found that member in breach of the Code.

The Committee agreed on 15th July 2025 to change the Code of Conduct arrangements to enable a parish or town council 'breathing space' to attempt to settle minor complaints against councillors without the requirement for a monitoring officer investigation. This 'local resolution' is entirely voluntarily for the parish or town council. The change was approved by Council on 22 May 2026.

The Committee received the Monitoring Officers 6 monthly update reports on the Code of Conduct on the 15 July 2025 and 27 January 2026.

## **4. Governance**

### **I. Financial Procedure Rules and Contract Procedure Rules**

In January 2026, the Committee reviewed updates to the Contract Procedure Rules, the Financial Procedure Rules and the Financial Procedure Rules Guidance Notes. These important governance documents provide clarity of roles and processes for those charged with undertaking financial and procurement activity. It is important the rules are updated to ensure transparency in the use of public resources and compliance with relevant legislation.

The Committee an update on exemptions to the Contract Procedure Rules for the period 1 April 2024 to 31 March 2025 to receive assurance that contracts are awarded in line with the rules wherever possible and that exemptions are only granted where there is a sound rationale for approval.

### **II. Constitutional Review**

The Committee has overseen the 12 monthly review of the Constitution which has led to a number of recommendations that were made to full Council on the 22 May 2026.

This included updating the questions procedure, planning rules, financial procedure rules, changes to the Code of Conduct and formalities for group consultations.

The review included consultations with relevant officers, political groups (via group leaders on 11 November 2025 and 04 February 2025), briefing to a group, a working group of Audit and Governance

before approval for recommendation to Council by Audit and Governance Committee on the 24 March 2026.

### **III. Whistleblowing**

The Committee received an annual report on the Whistleblowing Policy on the 28 October 2025.

During 2025/26, 5 whistleblowing disclosures were made to the Council under the formal Whistleblowing Policy using the whistleblowing route via the Monitoring Officer.

The Committee heard that 1 had been investigated in full with no findings with a second having partial findings. Another anonymous complaint was filed but was an ongoing matter already known to the service area. There were 2 further complaints received and replied to, but the complainant took no further actions (they did not specify what their whistleblowing concerns was).

### **5. Internal Audit**

In September 2025, the Committee approved the Internal Audit Plan, setting out how Internal Audit resources will be utilised and deployed in 2025/26. For 2025/26 the Internal Audit Plan was developed using a risk based, assurance mapping approach, aligned to the council's corporate objectives and priorities and the key risks which may prevent them from being achieved.

The Committee has received quarterly Internal Audit progress reports throughout 2025/26 to review audit work completed against the approved plan and receive assurance in respect of the internal controls and governance arrangements across the council. Internal Audit also provided regular updates on the implementation of audit recommendations to enable the Committee to consider the effectiveness of the agreed management actions and impact of improvements.

During 2025/26, the Committee reviewed a number of reports presented by Internal Audit where audit testing and review provided only 'limited assurance'. The role of the Committee in such instances is to understand weaknesses identified and gain assurance that recommendations and agreed actions will strengthen controls and deliver improvements.

### **6. External Audit**

The council's external auditors issued an unqualified audit opinion in September 2025, with no material errors in the financial statements identified through their audit testing.

As part of the work undertaken by the external audit team, the appropriateness of the council's accounting policies, accounting estimates and financial statement disclosures were evaluated with no errors or omissions noted.

Herefordshire Council was the first local authority to receive an audit opinion, including Value for Money opinion, on this date. The issue of an unqualified audit opinion for 2024/25 is a significant achievement for the council and is the result of high-quality financial statements and supporting audit evidence and an effective relationship between the council's finance team and external auditors, supported by members of the Audit & Governance Committee.

The timely completion of the statutory, independent, audit process provides valuable assurance over the local authority's arrangements to provide complete, accurate and timely financial statements as well as confirming the appropriateness of accounting policies and treatment of estimates and judgements.

The audited balances, including earmarked reserve balances, carried forward into the new financial year can be relied upon to inform budget setting and medium-term financial planning.

## **7. Information Requests and Complaints. Service Requests, Enquiries, Compliments and LGSCO decisions**

In September 2025, the Audit & Governance Committee considered a report from the Information Governance Manager entitled 'Annual Review of the Council's Information Requests & Complaints 2024/25'. This report detailed performance information for the municipal year 2024/25, specifically around information requests received by the council, and information security incidents and data breaches. The report set out the volume of information requests received, including Freedom of Information (FOI) requests, Environmental Information Regulation (EIR) requests, subject access requests under data protection legislation, and requests from the police and other organisations. The number of requests had increased slightly compared to the previous municipal year. The report also detailed the disclosure log, which publishes FOI / EIR requests previously answered, and an increase in the number of requests dealt with as business as usual.

The report also detailed the other work undertaken by the Information Governance team during the year, which included assessing data protection impact assessments for new programmes, projects and systems involving the processing of personal data, the review of information security policies and procedures, and a service level agreement with some county schools to provide a data protection service.

### **Complaints**

The report recorded that the council dealt in 2024/25 with 560 corporate complaints, a significant decrease from the previous year. In addition, 55 complaints were referred to the LGSCO.

## **8. Regulation of Investigatory Powers**

Regulation of Investigatory Powers Act 2000 (RIPA) provides a lawful means for public authorities to breach the right to privacy which is contained in the European Convention on Human Rights Article 8. A revised Code of Practice was published in December 2022 pursuant to section 71(4) of the Regulation of Investigatory Powers Act 2000.

No RIPA authorisations have been requested in 2025/26. The policy was reviewed and it was considered that it did not require any further changes. All members have staff have online RIPA familiarisation training as part of their induction.

## **9. Risk Framework**

The constitutional role of the Committee includes ensuring that the council's risk management process is carried out effectively. It is not the function of the Committee to examine specific risks in detail, but should it have specific concerns it will raise these with officers or make a recommendation to the relevant Scrutiny Committee.

The Committee has received regular updates on activity to embed the revised risk management strategy and strengthen risk management activity across the council throughout 2025/26. This oversight provides assurance of the adequacy of the council's risk management framework and internal controls.

## **10. Shareholder Committee**

The Shareholder Committee has met in a decision-making capacity on three occasions during 2025/26. The main business of the Shareholder Committee relates to the council's investment in Cyber Quarter Ltd and Hoople Ltd.

## **11. Waste Contract**

In October 2025, the Committee received an annual update on the council's energy from waste loan arrangement. This review enables the Committee to monitor administration of the loan, compliance with financial covenants and to consider any risks to the council as lender. The Committee received assurance that loan repayments of interest and principal amounts have continued and that loan covenants have been satisfied with no significant issues or risks to future loan repayments.

The loan represents a significant asset in the council's balance sheet and this annual review, alongside external audit testing of balances, confirms that the financial affairs of the council are properly conducted and that the risks, to the council as lender, are robustly managed.

### **Sources of further information**

The agendas, reports and minutes of the Audit and Governance Committee for the period under review can be found on the Council's website at:

[Browse meetings - Audit and Governance Committee - Herefordshire Council](#)