

Minutes of the meeting of the Audit and Governance Committee held in Conference Room 2, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Tuesday 9 June 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 and 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:

L Cater	Head of Internal Audit, South West Audit Partnership
S Carter	Head of Strategic Finance (Deputy S151)
V Davies	Director of Finance, South West Audit Partnership
G Hawkins	Senior Manager, Grant Thornton
S O'Connor	Head of Legal Services and Deputy Monitoring Officer
J Preece	Democratic Services Officer
R Sanders	Director of Finance
P Stoddart	Cabinet Member Finance and Corporate Services
J Tranmer	Chief Accountant

136. APOLOGIES FOR ABSENCE

There were no apologies for absence.

137. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

138. DECLARATIONS OF INTEREST

There were no declarations of interest.

139. MINUTES

RESOLVED:

That the minutes of the meeting held on Tuesday 24 March 2026 be confirmed as a correct record and signed by the chairman.

140. QUESTIONS FROM MEMBERS OF THE PUBLIC

Questions received and responses given are attached as appendix 1 to the minutes.

141. QUESTIONS FROM COUNCILLORS

There were no questions received from councillors.

142. DRAFT ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE

The Chairperson of the committee introduced the report which provided an update on the work undertaken as a committee, during the 2025/26 municipal year.

RESOLVED

That the committee agrees the accuracy of the report and its publication on the Councils website.

143. APPOINTMENT TO STANDARDS PANEL

The Chairperson of the committee introduced the report, the following principal points were noted:

1. The Standards Panel had not needed to meet over the past year, however members had still reviewed officer outputs and provided feedback when required.
2. The committee must reappoint members annually, including two standing members and two substitute members.
3. There was a suggestion that continuity is preferred, with current members continuing if there were no objections.
4. A clarification was made that, although the Audit and Governance Chair liaised with the panel, the actual Chair of the Standards Panel is formally elected at each panel meeting.

RESOLVED

The Committee Notes the appointment of the Chair of Audit & Governance as Chair of the Standards Panel; appoints Cllr Mark Parsons as the Parish/Town Council representative, Cllr Highfield and Cllr Woodall as the standing members of the standards panel with Cllr Hamblin and Cllr Oliver as the two substitute Councillors.

144. UPDATE ON RISK MANAGEMENT ACTIVITY

The Director of Finance introduced the quarter 3 update (Oct–Dec) on the corporate risk register and risk management arrangements. The following principal were noted;

1. The risk register had been reviewed by the Corporate Leadership Team and Cabinet, including risk scores, controls, and mitigating actions.
2. One risk score had changed relating to SEND (Special Educational Needs and Disabilities) due to planned reforms and financial impact.
3. Ongoing risk management activity continued at directorate and service levels, with internal audit aligned to corporate risks.
4. A fuller assessment of risk management effectiveness is included in the Annual Governance Statement (to be discussed later in the meeting).
5. Future reports would highlight changes more clearly (e.g., using colour) for committee members. **(Action 2026/27-1)**

In response to committee questions, it was noted that;

- I. Although most risks are rated high, this reflects their inherent significance at a corporate level, not a failure to manage them. Mitigations are applied to reduce their impact and likelihood where possible.

- II. The council follows a risk appetite approach, meaning some higher risks are accepted in order to achieve strategic objectives (e.g. transformation), while others (like safeguarding) remain very risk averse.
- III. Not all risks will reduce over time, some remain inherently high, even with strong controls in place.
- IV. The corporate risk register only includes the top-level strategic risks; additional risks exist at directorate and project levels, with serious ones escalated upward.
- V. The committee was reminded that their role was to ensure robust processes and oversight, rather than manage individual risks in detail.
- VI. There are ongoing review, training, and potential audit of the risk framework to strengthen assurance and consistency across the organisation.

The committee noted the report.

145. DRAFT ANNUAL GOVERNANCE STATEMENT 2025/26

The Head of Strategic Finance introduced the draft Annual Governance Statement (AGS), which is a statutory part of the Statement of Accounts. The following principal points were noted;

- 1. The AGS is brought to the committee separately from the financial statements so governance and control arrangements can be reviewed in advance. It is a retrospective review of the 2025–26 financial year, assessing how effective the council's governance and control framework has been.
- 2. It is structured around the CIPFA Code of Governance and its seven core principles. For each principle, the report describes the arrangements in place, assesses their effectiveness and Identifies areas for improvement.
- 3. The statement is informed by multiple sources, including Internal and external audit work, risk management processes, directorate assurance statements and ongoing operational activities.
- 4. It will be reviewed and updated during the external audit process, then finalised and published with the audited accounts (expected September).

In response to committee questions, it was noted.

- I. The major projects delivery dashboard is in place, regularly reviewed by Cabinet, and is considered effective for monitoring project performance, risks, and budgets.
- II. Clarification was sought on the role of the Chief Executive with regards to “strategic direction”. Officers acknowledged this may reflect a statutory definition but agreed to review and clarify wording to avoid confusion with the role of elected members and Cabinet. **(Action 2026/27-2)**
- III. The description of the shareholder committee would be reviewed to ensure clarity and accuracy. **(Action 2026/27-3)**
- IV. The council has an AI policy and governance arrangements (including an information governance steering group). The terms of reference for the Information Governance Steering Group would be shared with the committee. **(Action 2026/27-4)**. Guidance had been issued limiting use to approved tools (e.g. Microsoft Copilot).
- V. Officers to consider including quality circles for Children's Services as an example of improved staff engagement and feedback mechanisms. **(Action 2026/27-5)**
- VI. The statement is still a draft, and members can propose changes before final approval later in the year following external audit review.

The report was noted.

146. 2025/26 DRAFT STATEMENT OF ACCOUNTS

The Head of Strategic Finance introduced the draft Statement of Accounts for 2025–26, highlighting the significant work completed by the finance team. The following principal were noted;

1. The accounts were published early (29 May), ahead of the statutory deadline (30 June), and the audit had already begun.
2. The aim was to complete the audit and approve final accounts by 29 September, earlier than the statutory deadline (31 January 2027).
3. The Comprehensive Income and Expenditure Statement showed a £0.9m deficit, due to technical accounting adjustments (e.g. asset revaluations, pension liabilities), despite a balanced outturn in management accounts.
4. The Balance Sheet showed net assets of £614.9m, general fund reserves of £10.1m (unchanged) and earmarked reserves of £70.9m.
5. A two-page summary had been included to make the accounts more accessible to non-specialists.

On behalf of the committee, the chair offered his congratulations to the Director of Finance and her wider team for their achievements.

In response to committee questions, it was noted:

- I. Comments about government funding pressures were acknowledged, but it was confirmed the document should remain non-political, focusing on factual reporting rather than attributing causes.
- II. Regarding the Dedicated Schools Grant (DSG), a SEND reform plan was being submitted to government and if approved, the council could receive funding to cover 90% of the DSG deficit, significantly improving finances. The remaining 10% would be managed over time, with a clear repayment strategy in place.
- III. A lack of detailed information regarding the £5.7m Central Treasury Management variance was noted, particularly in relation to investment and contractual income. It was explained that the accounts are required to follow a prescribed format, which does not permit the inclusion of this level of detail which and could be found in separate reports (e.g. cabinet outturn reports).
- IV. Concerns about external consultants for transformation were met with assurance that there will be strong internal governance and challenge. External input will be used selectively to provide additional ideas and expertise, not dictate solutions.
- V. Changes in reserves were clarified as classification/interpretation issues (e.g. school reserves) rather than unexplained losses.
- VI. Officers would review and clarify the wording to better explain how reserves relate to insurance risks. [\(Page 83 – Narrative Report\)](#) **Action 2026/27-6**
- VII. Capital expenditure and grants figures are explained through technical accounting treatments, with full detail in supporting notes and subject to audit.
- VIII. Questions on treasury management and borrowing confirmed, decisions were actively managed, supported by advisors, and aligned with the approved strategy.
- IX. The transition from Balfour Beatty to M Group did not offer a direct cost saving, but a move to better value for money and improved service delivery.
- X. Reserves are used to manage specific financial risks (e.g. insurance excesses) and are clearly tracked and reviewed.
- XI. It was explained that [loss on disposal of non-current assets](#) mainly arose from, academy school transfers (no proceeds) or asset disposals (e.g. vehicles, property).
- XII. [REFCUS](#) was explained as revenue expenditure funded from capital, e.g. grants spent on residents' homes where no asset is retained by the council.

- XIII. PFI arrangements for Whitecross School remained the Council's responsibility, with a formal review planned ahead of contract expiry (approx. 5 years remaining). It was acknowledged that risks can arise from factors such as supplier failure or asset transfer liabilities, but these were being actively assessed as part of forward planning and contract review.
- XIV. Potential financial impacts of El Niño and climate change were queried and explained that no precise cost were forecast but risks were recognised and managed within existing financial planning.
- XV. It was clarified that [Enterprise Zone income](#) related to retained business rates, with incentives provided to businesses to support economic growth.
- XVI. Significant capital delivery and financial management improvements were noted as positive outcomes.
- XVII. The format and content of the accounts are prescribed by accounting standards (CIPFA Code), limiting flexibility in presentation. Ongoing work at a national level (CIPFA's Better Reporting Group) is seeking to improve clarity and accessibility of local authority financial reporting, with a focus on user needs. The terms of reference of this group would be circulated to members. **Action 2026/27-7**

The committee acknowledged the finance teams award for most improved financial reporting and the Director of finance offered her thanks to her team for the preparation of the accounts and the significant work undertaken by them.

The report was noted.

147. INTERNAL AUDIT OPINION 2025/26

The Head of Internal Audit (HIA) introduced the Internal Audit Annual Opinion for 2025–26. The following principal points were noted;

1. The council has been given “reasonable assurance” based on audit work conducted during the year.
2. The report summarises all audits completed, including assurance levels and agreed actions.
3. Updates were provided on specific audits:
 - Court of Protection – nearing completion
 - Treasury Management – being rewritten before issue.
 - Payroll – final report issued.
 - Licensing (Temporary Event Notices) – draft report issued.
4. Several audits are ongoing or newly started, with further work planned.
5. There are 41 open agreed actions, with follow-up work planned in the 2026–27 audit programme to ensure completion.

In response to committee questions, it was noted;

- I. Fewer completed audit reports this year (11 vs 17 last year) were acknowledged, with confirmation that more reports are close to completion and a “wave” was expected shortly. Notwithstanding the shortage of completed reports the Committee were assured that a reasonable level of assurance was appropriate.
- II. An update and progress report would be provided in July, alongside the new audit plan, to give clearer visibility of progress.
- III. The HIA confirmed that there were some delays in officers providing information, though not significant concerns. Delays were due to factors on both sides (e.g. staffing issues, leave, sickness).
- IV. Internal audit would continue to push and escalate requests to improve timeliness.
- V. Members queried whether internal audit recommendations extend to improving council processes. It was confirmed that audit findings include agreed actions

and recommendations for improvement, owned by the Council. In addition, regular publications (e.g. fortnightly updates “SWAY”) are shared with Members highlighting emerging issues and best practice from other authorities, which can also inform service improvements and governance discussions. Members of the Committee were unaware of this publication and would be added to the circulation list. **Action 2026/27-8**

The committee noted the report.

148. INTERNAL AUDIT CHARTER AND MANDATE 2026/27

The Head of Internal Audit (HIA) introduced the Internal Audit Charter and Mandate, a standard document that sets out the framework for how internal audit operates within the council. It clearly defines the roles and responsibilities of the Audit Committee, the Chair, the Head of Internal Audit, and council officers, ensuring clarity around governance and accountability. The document explains how internal audit fits into the wider governance structure and supports effective oversight. It was presented to the committee for approval, although it would usually be brought alongside the audit plan, which will follow at a later meeting once final sign-off is complete.

In response to committee questions, it was noted that;

1. The charter is a standard, globally aligned document, and no major structural changes are considered necessary.
2. Issues with delays in information sharing are recognised, but these are better addressed through improved processes, not by changing the charter wording.
3. A joint working protocol will be developed to strengthen cooperation, including:
 - Clear timelines and escalation processes
 - Possible KPIs and performance measures
 - Greater transparency with the committee
4. There was discussion on improving how audit activity is measured, with recognition that quality, depth, and outcomes matter more than just the number of audits completed.
5. Internal audit already provides recommendations through agreed actions and may introduce best practice suggestions from other organisations to add further value.
6. Overall, the focus is on improving partnership working, clarity, and reporting, while keeping the core charter unchanged.

RESOLVED

The committee approves the Internal Audit Charter and Mandate 2026/27

149. WORK PROGRAMME

The committee’s work programme for 2026/27 was presented. The clerk informed the committee that two additional reports from Internal Audit (Plan and a progress report) were to be added to the July meeting as discussed in the previous items on the agenda.

RESOLVED

That subject to the amendment noted, the updated work programme be agreed.

150. DATES OF FUTURE MEETINGS

RESOLVED

The dates of future meetings were agreed.

Tuesday 21 July 2026 2pm
Tuesday 29 September 2026 2pm
Tuesday 3 November 2026 2pm
Tuesday 26 January 2027 2pm
Tuesday 23 March 2027 2pm
Tuesday 8 June 2027 2pm

The meeting ended at 3.56 pm

Chairperson