AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 8 APRIL 2026

Present: Councillor Williams (Chair);

Councillors Asare, Dennis, Keane, McGrother and Stevens

Apologies: Councillors McGoldrick, Ballsdon and Moore

25. MINUTES OF THE PREVIOUS MEETING HELD ON 20 JANUARY 2026

The Minutes of the meeting held on 20 January 2026 were confirmed as a correct record and signed by the Chair.

Further to Minute 20, in relation to the discussion on Gifts & Hospitality and the Declarations of Interest Register, the Committee was informed that on 1 September 2025, updated legislation on fraud prevention had been introduced. In response, the Council's Conflict of Interest Policy (including gifts and hospitality) had been updated and had been approved by Personnel Committee on 12 March 2026. A report giving an update on the latest situation on Gifts & Hospitality and the Declarations of Interest Register would be brought to the next meeting of the Audit and Governance Committee.

26. EXTERNAL AUDITOR UPDATE

The Committee received a covering report on behalf of the Council's External Auditor, KPMG, which had attached the final version of KPMG's ISA 260 report for 2024/25 and their External Audit Plan & Strategy for the year ended 31 March 2026. Ming Guo from KPMG addressed the Committee on the ISA 260 year-end report and the Plan & Strategy and provided an update on current progress.

The ISA 260 report set out the final findings from the external audit of the 2024/25 financial statements, highlighting key risks, audit work undertaken, and conclusions on financial reporting and value for money arrangements. It explained that, due to the national audit backlog and unresolved assurance issues, particularly around opening balances, reserves and prior-year comparatives, KPMG intended to issue a disclaimer of opinion on the 2024/25 accounts, while work continued to rebuild assurance with the aim of moving to a qualified opinion in future.

The External Audit Plan & Strategy set out the planned audit approach for the 2025/26 financial year, setting out the scope of the external audit, key risks, materiality levels, and how the audit would be delivered.

In response to a query, Ming Guo confirmed that on page 6 of the ISA 260 report, on the Valuation of post-retirement benefit obligations audit risk, the statement "Our specialist is finalising their work and will provide an update to the next Audit Committee meeting" should not have been included after "We found the valuation of post-retirement obligations to be balanced".

Resolved:

(1) That KPMG's final 2024/25 ISA 260 year-end report be noted;

(2) That KPMG's External Audit Plan & Strategy for the year ended 31 March 2026 be noted.

27. INTERNAL AUDIT QUARTERLY PROGRESS REPORT Q4

The Committee considered a report providing an update on the key findings emanating from the Internal Audit reports issued for the period from 1 January to 31 March 2026 (Quarter 4).

The report summarised the findings, recommendations and management actions that had been put forward for each audit review and stated the overall assurance opinion level given by the Internal Audit team. A total of four audit reviews had been finalised in the period, as follows:

- Capital Programme & Monitoring (Substantial Assurance opinion given);
- Housing Benefits (Substantial Assurance opinion given);
- Health & Safety (Reasonable Assurance opinion given);
- Commercial Leases Rent Roll – Follow-up (Limited Assurance opinion given);

In relation to Commercial Leases, the follow-up audit had reviewed progress in addressing weaknesses identified in the previous commercial leases audit. Limited Assurance remained appropriate, as while some improvement had been made, weaknesses persisted in rent roll management, billing controls, data quality and reconciliations. Governance and insurance arrangements also required strengthening, and a number of recommendations had been re-raised to reflect the ongoing level of risk.

The report also detailed the audits that were currently in progress and gave a summary of the Corporate Investigations Team's work and School Audits.

It was noted that, for the Commercial Leases audit, the audit tracker had shown the recommendations which had been agreed at the last audit marked as completed but, on the follow-up audit, it had been discovered that they had not been completed. The Committee was informed that the relevant Executive Director had been very disappointed to discover this and the relevant Director was having fortnightly meetings to ensure that the actions were implemented. The Committee requested an update to the next meeting on the situation with the Commercial Leases Rent Roll from the relevant Director to give assurance.

Resolved:

(1) That the audit findings be noted, and the recommendations and management action underway, as set out in the Internal Audit & Investigations 2025/26 Quarter 4 Update Report, be endorsed.;

(2) That a report giving an update on the situation with the Commercial Leases Rent Roll be submitted to the next meeting.

28. DRAFT INTERNAL AUDIT PLAN AND INTERNAL AUDIT CHARTER 2026/2027

The Committee considered a report setting out the work Internal Audit was planning to undertake during the financial year 2026/2027. The report explained that internal audit was responsible for providing an annual formal opinion on the Council's control environment. The Audit Plan, which was attached at Appendix 1 to the report, would allow for the effective discharge of this responsibility. In accordance with the Accounts and Audit Regulations and the Public Sector Global Internal Audit Standards (the Standards), the Committee was asked to approve and monitor progress against the internal Audit Plan. The report also had attached at Appendix 2 the Internal Audit Charter which set out the purpose, authority, responsibility and scope of internal audit and had been refreshed to reflect revised Global Internal Audit Standards. The Standards intended to ensure sound corporate governance and set out roles and responsibilities for internal audit services. The Standards required an Internal Audit Charter to be in place, which must be reviewed periodically and presented to the Committee for approval.

Resolved: That the Internal Audit Plan for the period April 2026 to March 2027 and the Internal Audit Charter be approved, as attached to the report at Appendices 1 and 2 respectively.

29. STRATEGIC RISK REGISTER APRIL 2026

The Committee considered a report outlining the updates to the Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. A copy of the SRR was attached to the report at Appendix 1. The Risk Register covered the actions completed by the Council between October 2025 and March 2026 and the future risk ratings for May to August 2026. The SRR had been reviewed by CMT on 17 March 2026 and no risks had been removed or de-escalated to the relevant Directorate Risk Register and there had been no new risks added to the SRR.

The Committee was asked to note there were now six red risk cards, as follows:

- Risk of loss from cyber-attack.
- Unable to deliver a balanced budget because of cost-of-living increases, demand pressures and achieving income targets.
- Failure to deliver zero carbon commitments (Climate mitigation).
- Failure to adapt to the impacts of climate change (Climate adaptation).
- Failure to safeguard vulnerable children.
- Lack of local special educational needs and disabilities (SEND) placement provision to meet current and future levels of demand. Insufficient provision impacts on the Dedicated Schools Grant (DSG) High Needs Block (HNB) deficit.

The report stated there were now six amber risk cards, with the following two risks having been reduced from a 'red' to an 'amber' rating:

- Failure to mitigate risks or manage issues, associated with health & safety, appropriately - Whilst this risk rating had fluctuated over the past four quarters, it

currently sat at an amber risk, due to the completion of a significant number of actions within the Housing H&S Action Plan.

- Risk to adherence to Care Act Statutory duties as residents are waiting in Adult Social Care - The risk rating had reduced six months ago due to the RAG rating processes having been reviewed and refreshed, and cases could now be tracked on PowerBI and actioned.

Resolved: That the Council's Strategic Risk Register, as of April 2026, as set out in Appendix 1 to the report, be noted.

30. TREASURY MANAGEMENT REVIEW QUARTER 3 2025/26

The Committee received a report on the activity of the Treasury Management function during the third quarter of the year for the period 1 October 2025 to 31 December 2025. The report stated that the CIPFA Code of Practice for Treasury Management 2021 recommended that the Committee should be updated on treasury management activities at least quarterly. The Committee was advised that there had been full compliance during this period with the Treasury Management Strategy Statement (TMSS), as agreed by Council on 27 February 2024.

The report had attached the MUFG Corporate Markets Economics Review of Quarter 3; Borrowing and Investment Portfolios; and the list of approved countries for investments.

It was reported at the meeting that, since publication of the report, Brighter Futures for Children Ltd had repaid to Reading Borough Council the £5m loan listed in Appendix 3 that had been given to the company at its commencement.

The Committee noted that, in the Investment Portfolio in Appendix 3, the table listed maturity dates, many of which had passed, and it was queried whether the new maturity dates which may have been renegotiated for investments should be included in the appendix instead. It was explained that officers wanted to look at the best way of presenting the information to the Committee so that both the new dates and the fact that the original deadlines had passed, and that repayments in the terms originally agreed were overdue, were presented. It was also reported that a number of the overdue repayments had been paid before the end of the financial year.

Resolved:

(1) That the Treasury Management Review Quarter 3 report for 2025/26 be noted;

(2) That it be noted that officers would be reviewing the way that the investment portfolio figures were presented in Appendix 3 for future reports.

31. INFORMATION GOVERNANCE UPDATE

The Committee considered a report outlining the action under way to improve the Council's policies, systems and processes for Information Governance.

The report provided an update on: the action being taken to address the backlog of Subject Access Requests (SARs); the on-time responses to Freedom of Information (FOI) requests, which stood at 77.6% in Quarter 4 to date; Improvement Actions planned, including a comprehensive review of the processes for complaints, FOI requests and SARs; Data Transparency; the work of the Information Governance (IG) Board; the Information Management Strategy, which set out the Council's approach to information management and governance; and uptake of the compulsory Cyber Security and GDPR training for all staff and Members, which now stood at 90.28% and 91.5% compliance respectively with the IG Team carrying out bespoke training for colleagues without access to IT systems.

The report also contained further information on the cyber security programme, giving details of cyber incidents and security updates.

The report stated that the focus of the IG Team would be on:

- Identifying and implementing improvements to processes resulting from the review project
- Successful recruitment into vacant roles
- Further improvements to the Cyber Security and GDPR training content, for the coming year
- Procurement of new redaction software to support safe, effective and efficient SARs processing
- Recommencing work with the Data Stewards Network

It was queried what had caused the large number of inbound emails automatically blocked by cyber security tools in February 2025 (11m compared to usual monthly figures of around 3.5m). It was explained that the general increase between February and May 2025 might partially be explained by increased cyber-attack activity in the run up to the May elections, but the cause of the large number in February 2025 would need to be investigated.

Resolved:

(1) That the progress being made to improve the Council's Information Governance be noted, and the future actions outlined in the report be endorsed;

(2) That officers investigate the cause of the large number of inbound emails automatically blocked by cyber security tools in February 2025 and include an update in the next report to the Committee.

32. CIPFA FINANCIAL MANAGEMENT CODE 2025/26

The Committee received a report which explained that the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management Code 2019, which set out standards of financial management, expected Local Authorities to be able to provide evidence that they had reviewed their financial management arrangements against the standards and that they had taken such action as might be necessary to comply with them. Effectively, an annual self-assessment exercise had been required to assess compliance with the Code from 1 April 2021.

The 2025/26 self-assessment had identified the following key changes:

i) A significant reduction in the number of internal audit reports that had received limited or no assurance in 2024/25 (18%) compared with 2023/24 (44%) which had been a significant factor in the Chief Auditor's Annual Assurance Report which had given a Reasonable assurance view for the year (2023/24 had been Limited assurance);

ii) The 2026/27 Local Government Finance Settlement provided much more clarity on future funding for the period 2026/27 to 2028/29 which in turn improved the Council's medium term financial planning;

iii) The Council had received adverse external inspections on housing and adult social care services, and a joint inspection with other agencies for children's social care which all had recommended improvement plans. Whilst the Council was making good progress on all those areas, this work was still underway and would continue into the next financial year.

The report stated that the self-assessment had identified that one standard (A - The leadership team is able to demonstrate that the services provided by the authority provide value for money) had reduced from a previous rating of Green to Amber and two standards (C - The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control) and (G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members) had improved from Amber to Green. All other standards remained as per the 2024/25 assessment. A proposed action plan, setting out the required actions to improve those standards rated Amber to Green, was set out in Appendix 1.

A total of 12 standards (71%) had been RAG rated as Green with the remaining 5 (29%) as Amber. The results of the self-assessment indicated an overall rating of Amber.

Resolved: That the findings of the 2025/26 Financial Management Code Self-Assessment be noted.

(The meeting started at 6.30pm and closed at 7.50 pm)