AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 15 JULY 2026

Present: Councillor Williams (Chair);

Councillors Stevens (Vice-Chair), Asare, Gavin, Keane, Magyarosy, McGrother, Moore and Smith

1. DECLARATIONS OF INTEREST

Councillor Williams declared an interest in Item 5 as his son attended Alfred Sutton Primary School.

2. MINUTES OF THE PREVIOUS MEETING HELD ON 8 APRIL 2026

The Minutes of the meeting held on 8 April 2026 were confirmed as a correct record and signed by the Chair.

3. 2025/26 DRAFT STATEMENT OF ACCOUNTS

The Committee received a report on the unaudited draft 2025/26 Statement of Accounts for Reading Borough Council, and the Reading Borough Council Group which included its subsidiaries Brighter Futures for Children (which ceased trading on 30 September 2025), Reading Transport Limited and Homes for Reading, which had been published on the Council's website by the statutory deadline of 30 June 2026, and was attached at Appendix 1 to the report. The formal public inspection period was from 1 July to 11 August 2026.

The report also outlined the timing of the external audit scrutiny of the accounts. It stated that the Government had set a backstop date of 31 January 2027 for the external audit opinion to be issued on the 2025/26 Statement of Accounts.

Resolved:

(1) That the unaudited draft 2024/25 Statement of Accounts be noted;

(2) That the Committee's thanks to the finance team for the hard work done to enable the Statement of Accounts to be published by the statutory deadline be recorded.

4. CHIEF AUDITOR'S ANNUAL ASSURANCE REPORT 2025/26

The Committee received a report setting out at Appendix 1 the Internal Audit and Investigations Annual Assurance Report of the Chief Auditor for 2025/26, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards. The report gave the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement. It also summarised the audit work and key findings during the 2025/2026 financial year, gave details of third-party assurance, and summarised the performance of the Internal Audit function against its key performance indicators.

The report explained that, based on the work completed during the year, the Chief Auditor had concluded that, whilst no assurance could ever be absolute, 'Reasonable Assurance' could be placed on the adequacy and effectiveness of the Council's internal control framework in 2025/26. This reflected a position where the majority of controls were operating effectively, but where improvements were required to strengthen consistency, oversight and resilience across some service areas. The basis for the assurance opinion was set out in section 2 of the Annual Assurance report and the key areas for improvement identified during the audit work were set out in section 4.

The report stated 27% of audits had received limited or no assurance in 2025-26, compared to 18% in 2024/25 and 44% in 2023-24. The report provided a comprehensive overview of internal audit activities conducted in 2025-26. A total of 22 audits, four advisory reports, and two grant certifications had been completed.

The report stated that the audit programme had confirmed that many of the Council's core systems were supported by effective governance and well-embedded controls. However, a minority of reviews had identified more significant weaknesses, particularly in relation to data quality, capacity pressures and the consistent application of controls. Follow-up work had shown that progress was being made in addressing previously identified issues, although some areas continued to require sustained management attention.

External assurance broadly supported this position. While the Council's overall governance arrangements were sound, inspection findings in certain high-risk services had highlighted that controls had not always been applied consistently in practice. This distinction between the design of controls and their effectiveness in operation was a key factor underpinning the Reasonable Assurance opinion. Overall, the report demonstrated that the Council had a functioning and responsive governance framework, with clear areas of strength. Continued focus was required to ensure that improvements were embedded and that control arrangements operated consistently across all services.

Resolved:

(1) That the Internal Audit & Investigations Annual Assurance Report for 2025/26 be noted;

(2) That the Chief Auditor's Reasonable Assurance opinion in respect of the Council's governance, risk management and internal control framework be noted.

5. INTERNAL AUDIT & INVESTIGATIONS - QUARTER 1 UPDATE 2026/27

The Committee received a report providing an update on the key findings from the Internal Audit reports issued for the period 1 April to 30 June 2026 (Quarter 1).

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 five audit reviews had been finalised in the period, all receiving Reasonable Assurance, indicating that a generally sound control environment was in place across the areas reviewed:

- Occupational Therapy Waiting List Management;
- Cemeteries and Crematorium;
- Payments Against Orders (Children);
- Accounts Receivable;
- Follow-up review of Unaccompanied Asylum-Seeking Children (UASC).

Collectively, the reviews had found that core systems and processes were operating effectively, supported by established frameworks, professional standards, and experienced staff. However, common improvement themes had included the need to strengthen documentation, enhance consistency in the application of controls, improve data quality and reporting, and reduce reliance on individual officers. In several areas, capacity pressures and increasing demand continued to impact service performance, although staff were working proactively and actions had been agreed to address these issues.

The report also gave details of other activity, including a fact-finding review of the Arcus system, three school audits and a summary of the Corporate Investigations Team's work.

Resolved: That the outcomes of Internal Audit and investigations work, as set out in the Internal Audit & Investigations 2026/27 Quarter 1 Update Report, be noted.

(Councillor Williams declared an interest in this item as his son attended Alfred Sutton Primary School)

6. AUDIT RECOMMENDATIONS TRACKER

The Committee received a report setting out a summary of Internal Audit recommendations and updated management responses, which focused on those recommendations where there had been a 'limited' opinion. There were currently no audits assigned a 'no assurance' opinion. Appendix 1 to the report contained a summary of Internal Audit recommendations and updated management responses since the Committee meeting on 20 January 2026.

Prior to reporting to Committee, officers responsible for implementing the specific recommendations had been asked to update the audit tracker. Each recommendation had been marked with a red (off track), amber (at risk), green (on track) or blue (complete) rating. The report listed progress in the implementation of the management responses to audit recommendations to enable tracking of whether the audit recommendations were being properly addressed. Management actions which were overdue were rated red.

There were 32 recommendations currently on the tracker. Seven had been reported as complete in January 2026 and had been removed from the tracker. Six new recommendations had been added for Children's Saving Accounts and ISAs, six for Commercial Assets Rent Roll Follow Up and six for the Joint Legal Teams Billing Process.

Eight recommendations had been marked as complete, nineteen recommendations had been marked as ‘Red’ with one ranked as ‘Amber’ and four ‘Green’.

The Committee requested that responsible officers be asked to include updated estimate completion dates for the actions within their updates in the tracker.

Resolved:

(1) That progress against the audit recommendations for audits assigned a ‘limited’ opinion, as set out in the Appendix to the report, be noted;

(2) That responsible officers be asked to include updated estimated completion dates for the actions within their updates in the tracker.

7. OFFICER DECLARATIONS OF INTEREST AND GIFTS AND HOSPITALITY

Further to Minute 24 (2) of the meeting held on 21 January 2025, the Committee considered a report giving an update on steps taken to introduce centralised and regularly updated registers of Officer Declarations of Interest and Gifts and Hospitality.

The report explained that, at a meeting of the Audit and Governance Committee on 21 January 2025, the Committee had considered a report by the Council’s External Auditor and had resolved that officers be asked to consider applying a more rigorous approach to registering declarations of interest and gifts and hospitality, and whether the process should include monitoring by the Audit and Governance Committee to ensure records were complete.

The report gave details of the following relevant Codes and Policies, which were appended to the report:

- Appendix 1 - The Officers’ Code of Conduct, which dealt with employee conflicts of interest and gifts and hospitality, requiring employees to declare to their manager any outside interests they had, financial or otherwise, if and when an outside interest could conflict with the Council’s interests or policy, or with their duties and responsibilities as an employee.

- Appendix 2 - The Council’s Employee Gifts and Hospitality Policy, which required employees to seek approval from their line manager before accepting any offer of hospitality or a gift of more than nominal value. This had to be declared by completing the appropriate form, which was filed on the Council’s systems by the Human Resources team.

- Appendix 3 - A standalone Employee Conflict of Interest Policy, which had recently been developed building on the provisions of the existing Code of Conduct, and had been approved by Personnel Committee on 12 March 2026.

- Appendix 4 - Anti-Fraud, Bribery and Corruption Policy.

- Appendix 5 - Whistleblowing Policy.

The report explained that the Employee Conflict of Interest Policy had been developed in response to the new Failure to Prevent Fraud offence, which had been created by section 199 of the Economic Crime and Corporate Transparency Act 2023 and had come into force on 1 September 2025. Under the new offence, the Council might be held criminally liable if it failed to prevent fraud committed by employees or associated persons, unless it could demonstrate that reasonable and proportionate fraud prevention procedures were in place. This included having clear governance frameworks, effective monitoring, and documented controls, to mitigate the risk of prosecution and reputational damage.

Previously, staff Declarations of Interest had been required upon first employment and subsequently where there had been a change of circumstances, but they had not been renewed annually. The new Employee Conflict of Interest Policy strengthened governance arrangements by introducing mandatory annual Declarations of Interest for all staff, including the submission of a nil return where no interests existed, together with a renewed requirement for staff to update their declaration immediately if circumstances changed. These measures sought to ensure that the Council could demonstrate proactive compliance with the new legislation, strengthen transparency, and reduce the Council’s exposure to fraud, corruption, and procurement risks. They would also create a clear audit trail, evidencing that the Council had taken reasonable steps to prevent conflicts, thereby protecting both staff and the organisation.

A communications campaign was currently under way to raise staff awareness of the new policy and ensure its implementation. The report invited the Committee to receive a monitoring report to its next meeting giving an update on compliance with the new policy requirements.

Resolved:

(1) That the Council’s arrangements for dealing with Employee Conflicts of Interest and the registration of Gifts and Hospitality be noted;

(2) That a report be received at the next meeting monitoring compliance with the Council’s new Employee Conflict of Interest Policy.

8. ANNUAL TREASURY MANAGEMENT REVIEW 2025/26

The Committee received a report on the Council’s Treasury Management Strategy and Annual Investment Strategy for 2025/26. The Council had adopted a Treasury Management Strategy and an Annual Investment Strategy for 2025/26 at its meeting on 25th February 2025 and the Treasury Management Strategy required an Annual Outturn Report reviewing the Treasury Management activity which had taken place during the year.

The report stated that, at the start of 2025/26, the Bank of England base interest rate had sat at 4.50%. As had been reported through the quarterly review reports, the bank rate had been cut to 3.75% by the end of Quarter 3 and had since been held at this level.

The Council remained significantly under borrowed against its Capital Financing Requirement and had followed the approved borrowing strategy of deferring any potential long-term borrowing whilst interest rates remained at current levels and instead utilised short or temporary borrowing from the local authority market as required. No long-term loans (those over one year in duration) had been taken out during the year. During 2025/26 the Council had taken out short-term loans (one year or less in duration) of £245.000m (from other local authorities and the Public Loans Work Board (PWLB)) at an average interest rate of 4.21%.

Overall, the Council was under borrowed by £139.028m as at 31 March 2026. As a consequence, the Council had effectively avoided the requirement to budget for and incur external interest costs in the order of £5.172m during 2025/26, based on the average rate for the existing debt portfolio of 3.72%. Against the 2025/26 General Fund budget, there had been an overall positive net variance of £1.589m on the Capital Financing budget as reported in the 2025/26 Quarter 4 Performance report to Policy Committee on 13 July 2026. This budget included interest payable, interest receivable and Minimum Revenue Provision (MRP); a charge to the revenue budget made in respect of paying off the principal sum of the borrowing undertaken to finance the Capital Programme.

The report stated that the Council had not breached any of its treasury management performance indicators during 2025/26. The Borrowing and Investment portfolios and a list of approved Countries for Investments as at 31 March 2026 were appended to the report.

It was proposed at the meeting that Treasury Management Training for members of the Committee be organised prior to a future Committee meeting.

Resolved: That the Treasury Management Outturn Report for 2025/26 be noted and the plan to organise training for members of the Committee on Treasury Management be endorsed.

9. ANNUAL GOVERNANCE STATEMENT 2025/26

The Committee considered a report setting out the draft 2025/26 Annual Governance Statement (AGS), which was attached to the report at Appendix 1. The Council was required to prepare and publish an AGS each year as an accompaniment to the authority's financial statements. The Council was responsible for ensuring that its financial management was adequate and effective and that it had a sound system of internal control, which facilitated the effective exercise of the Council's functions, including arrangements for the management of risk. The AGS was a record of the overall effectiveness of governance arrangements within the Authority; it reflected the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrated how the key governance requirements had been met.

The report stated that the AGS incorporated the latest guidance in relation to the Council's Best Value duty and demonstrated the Council's continued commitment to maintaining robust governance arrangements while addressing emerging challenges and regulatory requirements.

The AGS concluded that it was satisfied that the Council's governance arrangements for 2025/26 were fit for purpose and where areas for improvement had been identified, appropriate action plans were in place.

It was noted at the meeting that, under the Governance Arrangements by Principle, the AGS stated that Principle F: Risk Management and Internal Control was considered quarterly by the Committee, but this matter was now considered twice a year instead of quarterly, so this needed amending.

Resolved:

(1) That the Annual Governance Statement for 2025/26 be agreed, subject to amending the frequency of risk management consideration under Principle F;

(2) That the Director of Legal and Democratic Services be authorised to make minor amendments to the Annual Governance Statement, in consultation with the Leader and the Chief Executive, prior to signature by the Leader and Chief Executive.

10. AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT

The Committee considered a report in line with CIPFA guidance which recommended that Audit Committees produced an annual report demonstrating how they had fulfilled their responsibilities and assessed their effectiveness. The report presented the Audit and Governance Committee's Annual Report for 2025/26 (Appendix 1) alongside the detailed results of member and officer effectiveness surveys (Appendix 2).

The report concluded that the Committee had continued to operate effectively across its core responsibilities, including governance, risk management, internal control, and oversight of internal and external audit. Key developments during the year had included changes to Committee structure and reporting cycles, improved access to information through a dedicated SharePoint site, and continued investment in member training.

The officer and member survey feedback had indicated a strong understanding of the Committee's role and generally positive views on its performance, particularly in relation to risk management, internal audit, training, and meeting management. However, the findings had also highlighted areas where assurance and visibility could be strengthened. These included issue escalation, tracking of recommendations, stakeholder engagement, and clarity around the Committee's overall impact.

Resolved: That the Audit and Governance Committee's Annual Report be endorsed as a fair reflection of its performance over the 2025/26 Municipal Year for submission to Council at its meeting on 13 October 2026.

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