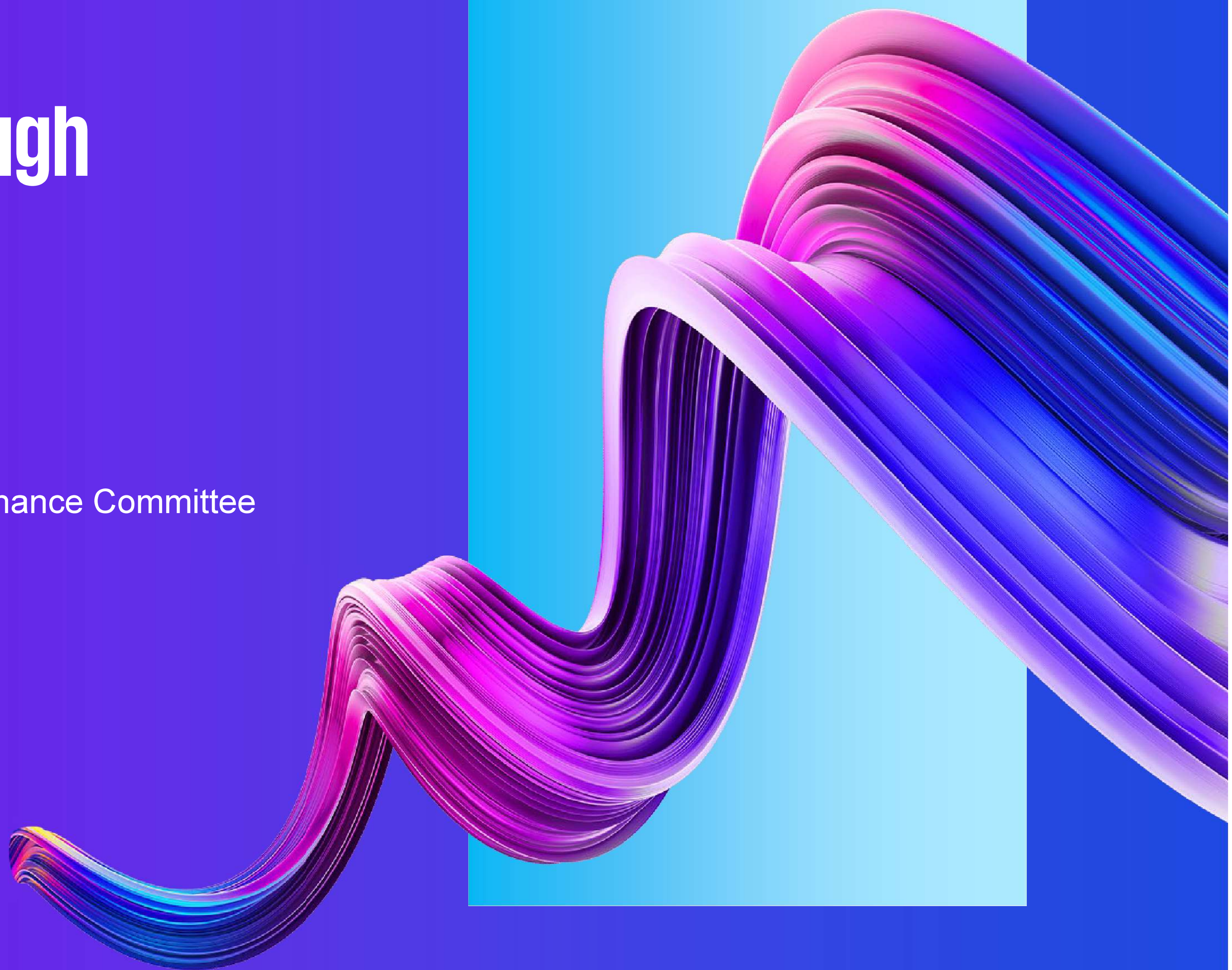
Reading Borough Council

Report to the Audit & Governance Committee



External audit progress report

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September 2025

Executive Summary

Since the last Audit & Governance Committee we have:

- Completed a large part of our final audit fieldwork, which has included among others: selecting and testing samples across a wider range of financial statement areas; reviewing and challenging management's assumptions, particularly around estimates; and understanding and investigating variances year on year.

  Detail of progress by area of the financial statements is shown as at date of writing on the following page.
- Responded to the challenges arising through the backstop, which has included:
  - concluding our testing over prior year balances, such as cash & cash equivalents and other service income;
  - consulting with KPMG's valuation team and diarising a meeting with the Council's valuer to investigate and challenge key assumptions, using other industry benchmarks and comparable property; and
  - commencing our risk assessment work around Building Back Assurance, which involves a line-by-line consideration of the financial statements and work that will need to be undertaken to move away from disclaimed audit opinions and the timeframe in which to do this. We will communicate our conclusion to management ahead of the next Committee.
- Progressed our work over Value for Money, which included: reviewing responses to our questionnaire; collating Council reports through Minutes alongside documentation provided to date; and preparing interviews with key stakeholders to occur over the next few weeks.

Ahead of the next meeting of the Audit & Governance Committee we will:

- Conclude, review and close our final audit work over the financial statements and Value for Money;
- Communicate our draft findings through our Auditor's Annual Report; and
- Agree our plans for Building Back Assurance for the Council in light of the release of LARRIG 06.

The Audit & Governance Committee is asked to note this report.

Audit progress

Financial statements area	Status
Human resources	Work is largely complete in this area
Other expenditure *	Work is largely complete in this area
Collection Fund	Work is largely complete in this area
Grants	Work is largely complete in this area
Other income	Work is on-going in this area
Housing rents (HRA)	Work is largely complete in this area
Plant, property and equipment *	Work is on-going in this area
Treasury and debt	Work is largely complete in this area
Investments	Work is largely complete in this area
Pensions *	Work is on-going in this area
Other disclosures	Work is on-going in this area
Group	Work is yet to be performed in this area

* Significant risk in this area

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We will have prepared our draft Auditor's Annual Report and a copy of the report will be included within the papers for the next Committee.

The report is required to be published on the Council's website alongside the publication of the Council's financial statements.

Response to risks of significant weaknesses in arrangements to secure value for money

As reported in our risk assessment we noted two risks of a significant weakness in the Council's arrangements to secure value for money. Our proposed response to this risk was communicated to you at the previous Committee and our finalised detailed response will be communicated at the next Committee in November.

Summary of work to date

We have set out in the table below the progress on our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements	Description of risk	Procedures being performed
Financial sustainability	One significant risk identified	Our work is in progress in this area	The 2024/25 outturn suggests a £9.3 million adverse variance to Budget. Larger budget deficits can be an indication of weakness in arrangements around financial sustainability. .	1. Consider the Council's arrangements and structures to monitor and deliver a balanced budget; 2. Understand the process for identifying savings and other available levers to the Council; 3. Review recent budget monitoring and performance throughout the period to date; and 4. Conduct interviews with senior management to understand the feasibility of on-going recovery plans and measures to support financial sustainability.
Governance	No significant risks identified	No significant weaknesses identified		
Improving economy, efficiency and effectiveness	One significant risk identified	Our work is in progress in this area	The recent challenging reporting from Ofsted and the Regulator of Social Housing indicates that there is a risk that the Council does not have in place adequate arrangements to achieve economy, efficiency and effectiveness of services in the period.	1. Consider the recent reports and receive and evaluate other 24/25 reports when they are able to be provided; 2. Investigate and challenge management as to the drivers behind the reports and arrangements currently in place; and 3. Understand management's response to the reports, the action plan and future proposed arrangements.