



# External audit plan and strategy for the year ending 31 March 2026

Report to the Audit and Governance Committee

Reading Borough Council

—

April 2026

# Introduction

## To the Audit and Governance Committee of Reading Borough Council

We are pleased to have the opportunity to meet with you on 8 April 2026 to discuss our audit of the consolidated financial statements of Reading Borough Council, as at and for the year ending 31 March 2026.

This report provides the Audit and Governance Committee with an opportunity to review our planned audit approach and scope for the 2025/26 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and is carried out in compliance with the NAO's 2024 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach subsequently.

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We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

## The engagement team

Jon Brown is the engagement partner on the audit. He has over 20 years of industry experience.

Jon shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Ming Guo, the lead manager and Raghav Sikka, the assistant manager.



**Jonathan Brown**

**Partner – KPMG LLP**

8 April 2026

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when :

- An audit is executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well-planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We are committed to providing you with a high-quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jon Brown, the engagement lead, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler ([tim.culter@kpmg.co.uk](mailto:tim.culter@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process [Complaints](#).

### Restrictions on distribution

This report is intended solely for the information of those charged with governance of the Reading Borough Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

# Overview of planned scope including materiality



## Our materiality levels

We determined materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, senior management turnover and settled financial position when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £10.9 million / 75% of materiality, driven by our expectations of normal level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons

## We will report misstatements to the Audit and Governance committee including:

- Corrected and uncorrected audit misstatements above £0.73m.
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they, individually and in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

## Control environment

The impact of the group control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

## Group Materiality

	Group
Materiality for the consolidated financial statements as a whole	<b>£14.6m</b> (2025: £13m 2% of Expenditure)
Performance Materiality	<b>£10.9m</b> (2025: £9.8m, 75% of materiality)
Misstatements reported to the audit committee	<b>£0.73m</b> (2025: £0.65m, 5% of materiality)

## Council Materiality

**£12.1m**  
2% of Council Expenditure  
(2025: £11m)



# Overview of planned scope including materiality (cont.)



## Timing of our audit and communications

We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting held with management on 18 February 2026 where we outlined our audit approach and discussed management's progress in key areas
- Audit and Governance committee meeting on 8 April 2026 where we present our final audit plan
- Regular status meetings with management through the audit where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management on in October 2026 where we discuss the auditor's report and any outstanding deliverables
- Audit and Governance committee meeting in November 2026 where we communicate audit misstatements and significant control deficiencies
- Regular private meetings with the committee chair at a frequency to their preference.

## Building back assurance

We completed our building back assurance risk assessment exercise as part of our audit for the year to 31 March 2025, and plan to complete our top-up work to gain assurance on the two years where you did not have an audit during the first half of 2026. Our additional work will focus on usable reserves and Property Plant & Equipment. Further details are set out on page 28.

## Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
<b>Internal Audit</b>	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
<b>KPMG IT Audit</b>	We will work closely with the IT Audit team, as part of the risk assessment, procedures over the system change and data migration (if any).
<b>KPMG REVA</b>	We will work alongside our property valuation team to ensure their involvement in the review of Reading Borough Council's property portfolio.
<b>KPMG Pensions Centre of Excellence</b>	The pension audit team will perform all planning risk assessment and substantive procedures over the LGPS accounts balances. A KPMG actuary will review and assess the underlying assumptions within the entity's year end actuarial report.

# Significant risks and other audit risks



**Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the industry and the wider economic environment in which Reading Borough Council operates.**

We also use our regular meetings with senior management to update our understanding and take input from sector specialists and internal audit reports.

There is likelihood that significant risks may emerge throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit and Governance Committee.

## Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and will include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

We have outlined the result of our risk assessment procedures on page 16.

## Significant risks

- |    |                                                 |
|----|-------------------------------------------------|
| 1. | Valuation of land and buildings                 |
| 2. | Valuation of investment property                |
| 3. | Valuation of post retirement benefit obligation |
| 4. | Management override of controls                 |
| 5. | Fraud risk from expenditure recognition         |

## Other audit risks

- |    |                                                                  |
|----|------------------------------------------------------------------|
| 6. | Non-capital expenditure is inappropriately recognised as capital |
| 7. | Transfer of Brighter Futures for Children                        |

# Audit risks and our audit approach



## 1 Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value

Change vs prior year



### Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle and indexation in the intervening years.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value if the indexation applied is not appropriate. As at 31 March 2025, the Council's land and buildings was £396.98million, of which £96.25million was subjected to valuation in year. Dwellings are valued 100% in year (£567.15million).

A further risk is presented for those assets that are revalued in year if valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the assets revalued in year:

- We will critically assess the independence, objectivity and expertise of Sanderson Weatherall, the valuers used in developing the valuation of the Council's properties at 31 March 2026;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)



## 2 Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value

Change vs prior year



### Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for appreciation does not meet the definition of an investment property. The Council has a £57.3 million portfolio, primarily consisting of industrial estates and office space.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Sanderson Weatherall, the valuers used in developing the valuation of the Council's investment property at 31 March 2026;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)



## 3 Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur

Change vs prior year ◀▶



### Significant audit risk

Professional standards require us to communicate the fraud risk from management override of controls as significant.

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have not identified any specific additional risks of management override relating to this audit.



### Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
- Analyse all journals through the year using data and analytics and focus our testing on those that meet our high-risk criteria.

Note: (a) Significant risk that professional standards require us to assess in all cases.

# Audit risks and our audit approach (cont.)



## 4 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Change vs prior year ◀▶



### Significant audit risk

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.

The actuary will take account of the results of the new Triennial Valuation as at 31 March 2025 for accounting at 31 March 2026. This means re-basing their estimate models to allow for actual experience since 2022, which could result in corrections to the defined benefit obligation and asset valuations this year. It also updates the contributions payable, which could have an impact on the assessment of the asset ceiling applying to the Council.

The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.

We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme

Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



### Planned response

We will perform the following procedures:

- Understand the processes the Council have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in light of the updated information and change of contributions following the completion of the funding valuation, and assess the sensitivity of the deficit or surplus to the assumptions made;
- Where applicable, assess the level of surplus that should be recognised by the entity; and
- Assess the change in the effect of the asset ceiling under IFRIC 14 over the year for reasonableness

# Audit risks and our audit approach (cont.)



## 5 Fraud risk from expenditure recognition

Manipulation of expenditure recognition due to fraud.

Change vs prior year



### Significant audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This is not a desirable outcome for management.

We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2026-27 to mitigate financial pressures.



### Planned response

We will perform the following procedures in order to respond to the significant risk identified:

- We will evaluate the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We will inspect a sample of invoices of expenditure, in the period around 31 March 2026, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;
- We will inspect the year end payments and check whether expenditures related to 2025/26 have been accrued correctly;
- We will select a sample of year end accruals and inspect evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded;
- We will inspect journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and
- We will perform a retrospective review of prior year accruals in order to assess the completeness with which accruals had been recorded at 31 March 2025 and consider the impact on our assessment of the accruals at 31 March 2026. We will also compare the items that were accrued at 31 March 2025 to those accrued at 31 March 2026 in order to assess whether any items of expenditure not accrued for as at 31 March 2026 have been done so appropriately.

# Audit risks and our audit approach (cont.)



## Revenue – Rebuttal of Significant Risk

Professional standards require us to presume, unless rebutted, that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
<b>Council tax</b>	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for this balance to be subject to fraudulent financial manipulation.
<b>Business rates</b>	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for this balance to be subject to fraudulent financial manipulation.
<b>Fees and charges</b>	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
<b>Grant income</b>	Predictable income received primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

# Audit risks and our audit approach (cont.)



## 6 Non-capital expenditure is inappropriately recognised as capital

Change vs prior year ◀▶



### Other audit risk

Capital accounting requirements are complex and may contain an element of judgement in determining which costs in a project can be capitalised and which need to be expensed.

Given the context of significant pressures on funding and demand faced by councils in the sector, the size of the Council's capital programme (£59.2 million for 2024/25) provides an opportunity for inappropriate capitalisation of revenue expenditure.



### Planned response

We will perform the following procedures in order to respond to the risk identified:

- Evaluate the design and implementation of controls for classifying expenditure as capital expenditure;
- Scan the list of programmes for schemes which indicate an increased risk that the spend may be revenue in nature; and
- Test a sample of expenditure incurred by the Council to ensure it is correctly capitalised.

# Audit risks and our audit approach (cont.)



## 7 Risk of misstatement arising from the transfer of Brighter Futures for Children



### Other audit risk

In October 2025, the Council brought one of its subsidiaries, Brighter Futures for Children, back in-house.

This transfer affects the Council's consolidation boundary, accounting treatment and disclosure requirements.

Accordingly, this presents a risk of misstatement if the transfer is not appropriately recognised, measured or disclosed in accordance with the relevant accounting framework.



### Planned response

We will perform the following procedures in order to respond to the risk identified:

- Obtain and inspect the external audit documentation for Brighter Futures for Children's accounts for the first six months of 2025/26 to understand the financial performance up to the point of transfer.
- Review the transfer documents to ensure the transfer has been accounted for correctly;
- Inspect management's workings supporting the incorporation of Brighter Futures for Children's balances into the Council's financial statements, including the basis of recognition, measurement and conversion into the Council's accounting records; and
- Review year-end disclosures to assess whether the transfer, changes to the consolidation boundary and any related-party considerations have been appropriately presented in the financial statements.

# Mandatory communications - additional reporting



## Going concern

We will assess the risk relating to management’s judgement on the use (or otherwise) of the going concern basis and the adequacy of related disclosures, including any possible material uncertainty. Under NAO guidance, including Practice Note 10 - A local authority’s financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern. However, financial sustainability is a core area of focus for our Value for Money responsibilities.

## Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This “Whole of Government Accounts” requirement is fulfilled when we complete any work required of us by the NAO.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

# Mandatory communications



Type	Statements
<b>Management’s responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor’s responsibilities</b>	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor’s responsibilities – Fraud</b>	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor’s responsibilities – Other information</b>	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
<b>Independence</b>	<p>Our independence confirmation at page 33 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>



# Reading Borough Council

## Value for money risk assessment

### Our approach

Year ended 31 March 2026

April 2026

# Value for money



**Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

## Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

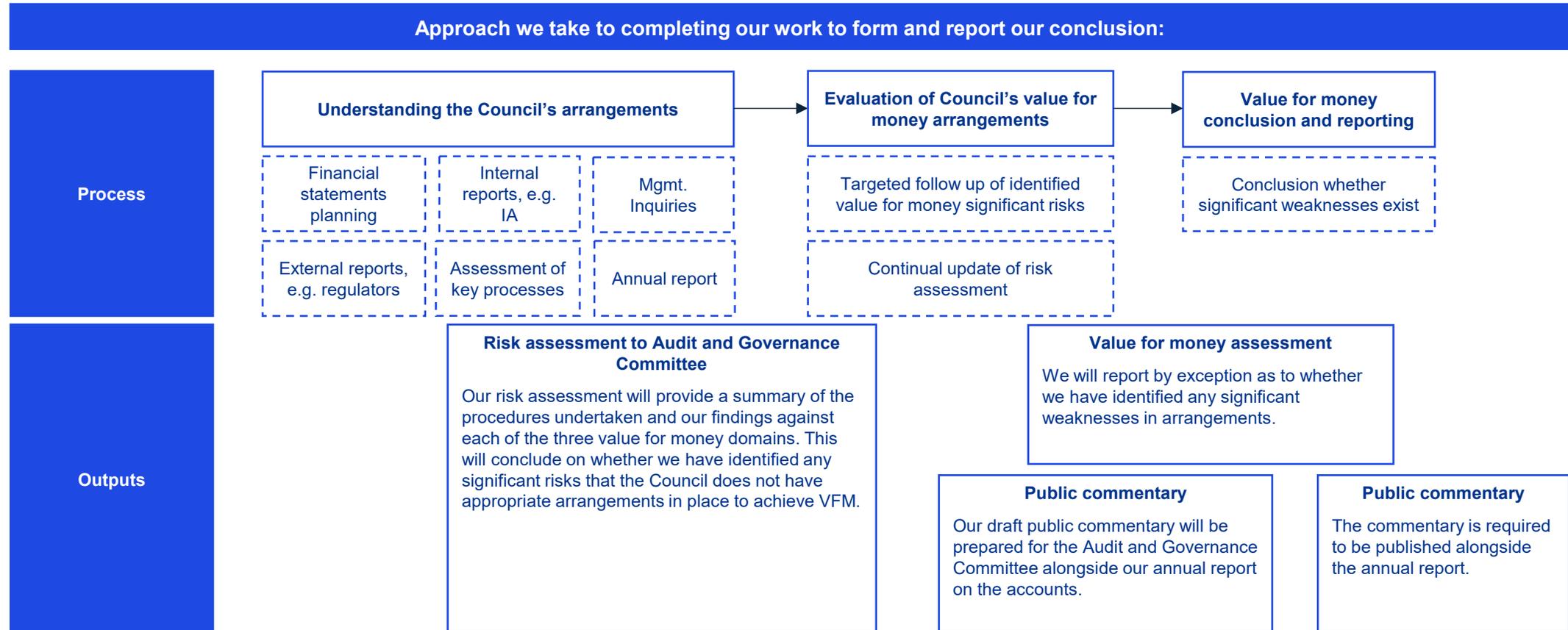
### Governance

*How the body ensures that it makes informed decisions and properly manages its risks.*

### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

# Value for money



# Summary of risk assessment



## Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a risk of significant weakness that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	risk of significant weakness identified?
Financial sustainability	One risk of significant weakness identified
Governance	No risk of significant weakness identified
Improving economy, efficiency and effectiveness	No risk of significant weakness identified

We have identified a risk of significant weakness associated with financial sustainability

We have not raised any recommendations at this stage of our work and have followed up on the recommendations reported in 2024/25 audit.

We have not raised any performance improvement observations as a result of our risk assessment work.

## Response to risk of significant weakness

The table below sets out the details of the risk that has been identified and the procedures we intend to perform in order to respond to the risk. We will report on our conclusion from these procedures as part of our year end report to the Audit and Governance Committee:

<b>Description of risk</b>	The Council set a balanced budget for 2025/26, incorporating a savings target of £11.5 million. By the end of Quarter 3, an adverse net variance of £4.6 million had been identified, with 26% of the savings target assessed as non-deliverable or at risk of delivery. Based on performance to date and the level of deficit reported, we consider there to be a risk that the Council may not have adequate arrangements to secure financial sustainability.
<b>Procedures to be performed</b>	<p>We will perform the following procedures:</p> <ol style="list-style-type: none"> <li>1. Consider the Council's arrangements and structures to monitor and deliver a balanced budget;</li> <li>2. Understand the process for identifying savings and other available levers to the Council;</li> <li>3. Review recent budget monitoring and performance throughout the period to date to ascertain reasons for the non delivery of the savings plans; and</li> <li>4. Conduct interviews with senior management to understand the feasibility of on-going recovery plans and measures to support financial sustainability.</li> </ol>

# Value for money arrangements



## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

### Summary of risk assessment

#### **Setting the current year financial plan**

The Council set a balanced budget for 2025/26, incorporating a savings target of £11.50 million. By the end of Quarter 3, an adverse net variance of £4.63 million had been identified, with 26% of the savings target assessed as non-deliverable or at risk of delivery.

The adverse net variance of £4.6million (deficit) for the forecasted outturn position, mainly driven by the cost pressure within Communities and adult social care and Children's Services. Mitigation plan are in place for each of these service lines. Relevant risk have been recorded in the risk register and tracked on a regular basis. Movement in Reserves is forecasting a positive variance of £1.84million, as a result of additional releases from earmarked reserves to mitigate against the significant pressures forecast within Children's Services

The Housing Revenue Account (HRA) is projecting an adverse net variance of £0.13million as at the end of Quarter 3, which results in a forecast drawdown from HRA Reserves of £5.55million rather than the approved budgeted drawdown of £5.42million.

Although the Council is not currently at risk of exhausting its reserves position, similar deficits will continue to worsen the Council's finance and the council reserves will not be sufficient to fund the accumulated deficit by the time the statutory override is due to end in March 2028. Therefore, we are identifying this as an area with a risk of significant weakness, requiring further investigation to understand the recovery plan for Reading going forwards.

#### **Approval of Financial Plans**

Guidance is issued (in line with practice noted in the previous year) by Finance to Assistant Directors on an annual basis, typically shortly after the previous financial year end. This includes guidance for Budget Managers to propose a budget with efficiencies, supported by Finance Business Partners. Business cases are reviewed and challenged by the Corporate Management Team (CMT) and are then taken through a Lead Member group challenge process. Funding support was approved for Brighter Future for Children of £3.69million.

Supported business cases are included within the MTFS reporting package and scrutinised at the Policy Committee. Following the finalisation of proposals, a final budget is produced and approved through the Policy Committee and up to full Council. KPMG have reviewed documentation and Committee minutes confirming appropriate consideration and challenge of proposals. The 2025/26 Budget & Medium-Term Financial Strategy 2025/26 – 2027/28 was approved by Council in February 2025 and the MTFS for 2026/27 – 2028/29 was approved by the Council on 24 February 2026.

# Value for money arrangements



## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

(..count.)

The Council's 2026/27 budget approved by the Council on 24 February 2026 includes an increase in Council Tax (2.99%) and Adult Social Care Precept (2%), delivery of £17.90million of efficiencies and increased income across 2026/27 – 2028/29. As a result for 2026/27, the net drawdown from earmarked reserves totals £7.3 million in 2026/27.

The Dedicated Schools Grant High Needs Block is anticipated to be £48.63million in deficit by 31st March 2026. The Local Government Finance Settlement announced in February 2026 confirmed the Government will fund 90% of the accumulated High Needs Block (SEND) deficit balance as at 31st March 2026. The Council's forecast deficit at the end of this financial year is £48.6million which means this new funding announcement will reduce the cumulative deficit to £4.86million.

The Council's current budget for General Fund Programme is £53.81 million, as at M9, a positive net variance of £0.25 million was identified. The HRA Programme is forecasting to spend to budget of £62.15. Major projects are relating to the New Bild & Acquisition Phase 2 and Transportation, planning & public protection with total over £38 million.

### **Monitoring of Financial results**

All approved savings proposals generate a monthly savings tracker that is reported monthly as part of the budget monitoring process and included within the Quarterly Performance and Monitoring Report, reported through the Policy Committee. The Corporate Management Team also have a monthly meeting dedicated to performance, which we have also reviewed and judged the budgetary process to have an appropriate level of scrutiny, comparable with similar authorities of this size. As at Q3, £5.51million (48%) of savings have been delivered and £3.02million (26%) of savings are on track to be delivered by March 2026. £2.59million (23%) of savings are currently categorised as non-deliverable and £0.39million (3%) categorised as at risk of delivery.

### **Risk assessment conclusion**

Based on the risk assessment procedures performed we have identified a risk of significant weakness associated with financial sustainability. The Council set a balanced budget for 2025/26, incorporating a savings target of £11.50 million. By the end of Quarter 3, an adverse net variance of £4.63 million had been identified, with 26% of the savings target assessed as non-deliverable or at risk of delivery. Based on performance to date and the level of deficit reported, we consider there to be a risk that the Council may not have adequate arrangements to secure financial sustainability over the short to medium term.

# Value for money arrangements



## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

### Summary of risk assessment

#### *Approach to identifying, monitoring and management of risk*

The Council operates a comprehensive committee-based governance framework designed to support effective decision-making, transparency and cross-party engagement. At the top sits the Full Council, comprising all 48 elected Councillors

The Council's guiding governance document is the Constitution, which is built on with the Council's risk management policy and procedure, which further formalises the risk management structures within the authority and cements its approach to risk assessment.

There are five levels of risk register operated within the Council, the highest being the Strategic Risk Register. A 5 x 5 scoring matrix is used by the Council to score risks on the Strategic Risk Register (Impact x Likelihood). The Strategic Risk Register has 11 risks identified, the mostly highly rated include: inability to deliver a balanced budget, SEND provision, climate mitigation, cyber risk and safeguarding of vulnerable adults and children. Our review of the risk register found that this was sufficiently detailed to effectively manage key risks and we identified evidence of review within the Audit & Governance Committee throughout the year.

The Council's arrangements for risk management remain appropriate for an entity of its size and nature and the risk assessment policies in place are considered effective in monitoring and assessing risk.

The effectiveness of internal controls is monitored by the Audit & Governance Committee, through reporting from Internal Audit and Counter Fraud. The programme of work for each organisation is approved at the start of the financial year by the Audit & Governance Committee, following input by the CMT. Any recommendations raised by Internal Audit or the Counter Fraud teams are reported to the Audit & Governance Committee. Our review of the Audit & Governance Committee papers confirmed that there were appropriate discussions and follow up of recommendations for both Internal Audit and Counter Fraud. We noted in the Internal Audit & Investigation Q3 Report that the majority of the reports issued to date have reasonable assurance, however we will review the Internal Audit & Investigations Annual Assurance report, all internal audit reports and outstanding actions as part of our final VFM procedures at the year-end.

The Council retains a suite of policies (in line with other comparable local authorities), which clearly outline the expected behaviour of Councillors and officers in relation to areas such as Staff and Councillor Codes of Conduct and Members' Allowances. Specific guidance is in place for teams and managers via standards of behaviour for these roles

# Value for money arrangements



## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council.
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

(...Count.)

Overall compliance with legislation, laws & regulations are monitored by management. The authority has a dedicated Whistleblowing email and includes guidance on conflicts of interest and gifts & hospitality in the Code of Conduct.

In our 2024/25 audit report, we reported a significant weakness in governance following our review of the Joint Targeted Area Inspection (JTAI) report. This was due to the absence of evidence that the Council had identified relevant risks or taken steps to mitigate them prior to the inspection. We have followed up on this recommendation as part of our planning and risk assessment procedures. See page 26 for our detailed assessment. A monitoring visit by the JTAI team in November 2025 confirmed that improvements had been made, with an improvement plan in place to address the weaknesses previously identified.

We also made enquiries of the Section 151 Officer and carried out a press search to determine whether any further inspections had taken place since we issued our audit completion report (ISA 260) for the 2024/25 audit on 27 February 2026. No other inspections have been undertaken or concluded to date.

Given the improvement actions implemented, the monitoring activity in place, and the no other inspections indicating ongoing concerns, we do not consider there to be a significant governance risk for 2025/26.

### **Risk assessment conclusion**

Based on the risk assessment procedures performed we have not identified a risk of significant weakness associated with governance.

# Value for money arrangements



## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Summary of risk assessment

#### **Assessing Value for Money and Opportunities for Improvement**

Cost saving performance is part of the regular reporting to the Council and Corporate Management Team, which allows the Council to assess the level of value for money being achieved. The Policy Committee also provide additional oversight, and budgets are reviewed and managed on a regular quarterly basis through key performance indicators reported, with any expected significant variances escalated.

The Council set a balanced budget for 2025/26 with saving target of £11.50 million. As at the end of Q3, £5.50million (48%) of savings have been delivered and £3.00million (26%) of savings are on track to be delivered by March 2026. £2.60 million (23%) of savings are currently categorised as non-deliverable and £0.39m (3%) categorised as at risk of delivery. Delivery is low compared to the 73% of total saving target delivered in 2024/25. We will review the final saving delivered as part of our year-end procedure.

#### **Monitoring of Performance of Services**

Performance reporting and monitoring of efficiency plans has not changed significantly since our previous report, with reporting lines and documentation in line with other similar local authorities. The Audit & Governance Committee review the Strategic Risk Register quarterly and Council also have oversight of the position annually through the Budget and the associated Chief Finance Officer's Report on the Robustness of the Council Budget.

The Corporate Plan also includes performance measures, key projects and initiatives and other non-financial metrics which also are reported to the Policy Committee as part of the Quarterly Performance and Monitoring Report. All collated information is subject to initial scrutiny by the CMT.

#### **Benchmarking**

The Council operate limited benchmarking activities on a case by case basis and review national benchmarking performed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Government Association (LGA). Management also utilizes external data sources to gain insights into market trends, cost structures, and industry benchmarks. This data is used to assess the organization's cost base and identify areas where costs can be optimized. External data sources may include industry reports, market surveys, and financial databases.

# Value for money arrangements



## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

(..count.)

### **View from the regulators**

The Council is subject to a number of inspections by the regulator. A Joint Targeted Area Inspection (JTAI) was carried out in March 2025. This inspection identified significant weaknesses in the multi-agency approach to prevention, help and support for children and their families who are victims of domestic abuse in Reading.

As response to this result, Reading Borough Council established an independently chaired Children's Services Improvement Board, Andy Couldrick was appointed as the independent chair and the Board was convened in November 2025. Improvement adviser was appointed by Department of Education and sits on the Children's Service Improvement Board. Improvement plans and guidance are in place, and the first monitoring visit in November 2025 noted positive early progress.

In addition, the Regulator of Social Housing issued its judgement in April 2025, giving a C3 rating due to the concerns regarding areas such as health and safety and transparency and the Care Quality Commission (CQC) has issued its assessment in October 2025, grading adult social care as 'requires improvement'. However, the Council have identified and attempted to mitigate the risk in advance of these reports with improvement plans in place and the delivery of these plans have been closely monitored and reported at each committee. Therefore, we do not consider there is a risk of significant weakness in Improving economy, efficiency and effectiveness as at audit planning and risk assessment stage.

### **Risk assessment conclusion**

Based on the risk assessment procedures performed we have not identified a risk of significant weakness associated with Improving economy, efficiency and effectiveness.

# Value for money recommendations



Below we have set out our findings from following up recommendations raised in prior periods:

#	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update as of April 2026
<p><b>1 Issue</b></p> <p>A Joint Targeted Area Inspection identified significant weaknesses in the multi-agency approach to prevention, help and support for children and their families who are victims of domestic abuse in Reading.</p> <p>While we appreciate that some of the issues identified were known by the Council and were being worked upon by the Council, some of them were not which raises questions regarding the underlying risk management arrangements and escalation of risk.</p> <p>We note that RBC have responded well to the findings of the report, and a detailed action plan is in place to respond to the failings and this is being effectively monitored.</p> <p><b>Impact</b></p> <p>A lack of effective oversight may lead to the council failing to deliver services efficiently. This could also expose the council to increased financial pressures and result in significant legal or reputational consequences.</p> <p><b>Recommendation</b></p> <p>We recommend that the council:</p> <ul style="list-style-type: none"> <li>continue to implement the agreed action plan and closely monitor progress against the plan;</li> <li>Revisit their risk management arrangements in light of the report to understand how these issues were not highlighted, risk assessed and escalated sooner and in advance of the report being issued</li> <li>Use the findings from this review to look across to other services across the Council that may have similar failings that are continuing without the appropriate scrutiny or support</li> </ul>	<p>During November 2025, the Council received the first monitoring visit since the Joint Targeted Area Inspection (JTAI) in March 2025. This visit was carried out in line with the inspection of local authority children's services (ILACS) framework.</p> <p>The monitoring visit noted there has been a strengthened focus and effective action by senior leaders and others to start to address the areas of concern and weakness identified in March 2025. Progress is being made in implementing a multi-agency improvement plan and a service development plan. This is beginning to have a positive impact on addressing concerns. The introduction of assessment teams as part of this improvement work has required the financial backing of corporate and political leaders. Although recent, this is beginning to support improvements in the manageability of some social workers' caseloads and is supporting improvements in the timeliness and quality of work with children. However, further progress is needed to improve consistency in practice and embed change, to ensure all children have the right help at the right time.</p> <p>The Council will continue to work on improvements and implement the agreed action plan.</p> <p>The recent transfer of Brighter Futures for Children back into the Council from October 2025 reinforces the Council's governance process to identify any issues as soon as possible so that any mitigating action can be put in place.</p> <p>Officer Responsible: Director of Children's Services</p> <p>Due Date: 31/3/26</p>	<p>We have inspected the Children's Services Improvement Board Inaugural Report issued on 18 March 2026. We have noted that Reading Borough Council established an independently chaired Children's Services Improvement Board. Improvement adviser was appointed by Department of Education and sits on the Children's Service Improvement Board. Improvement plans and guidance are in place, and the first monitoring visit in November 2025 noted positive early progress.</p> <p>We will review the March 2026 monitoring report as part of our year-end procedures and check for any new inspections up to the date we sign the audit opinion.</p>	

# Value for money recommendations



Below we have set out our findings from following up recommendations raised in prior periods:

#	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update as of April 2026
<p><b>2 Issue</b></p> <p>As part of the financial statements audit and internal audit's annual assurance report, deficiencies were found in the Employee Gifts &amp; Hospitality and Declarations of Interest register.</p> <p><b>Impact</b></p> <p>The Council may be vulnerable to conflicts of interest. There is a risk of undue influence over decisions where undeclared interests, gifts or hospitality are not identified. This also exposes the Council to accusations of undue influence, where decisions are made without these considerations, regardless of whether this has or has not been exercised.</p> <p><b>Recommendation</b></p> <p>The Council should apply a more rigorous approach to declarations of interests and gifts &amp; hospitality, with centralised and regularly updated/reviewed registers.</p> <p>To ensure these are kept up-to-date, these could be tracked through the Audit and Governance Committee.</p>	<p>The Council will review and improve the arrangements for managing Employee Gifts &amp; Hospitality and the Declarations of Interest register. Progress on implementing audit findings will continue to be included in regular performance reports to the Audit and Governance Committee.</p> <p>Officer: Monitoring Officer</p> <p>Due Date: 31/3/25</p>	<p>It was noted in our 2024/25 audit completion report that the Council has updated its Gifts and Hospitality Policy which is available on the Council's intranet site. New processes are in place and communicated to all staff. However, the recent internal audit report suggests inconsistency still remains.</p> <p>We will assess whether this recommendation is fully implemented through our related party declaration testing and the review of Declarations of Interest register as part of year-end procedure.</p>	

# Rebuilding assurance risk assessments results



The risk assessment has identified risks of material misstatement therefore we need to complete procedures to address the risk of material misstatement. The table below identified the risks of material misstatements, the procedures to address the risks and the findings and conclusion from the procedures.

Where balances have been not associated with risks of material statement – we are satisfied from our risk assessment the risk of material misstatement is remote.

The national audit office have recently issued guidance to help auditors in the work to rebuild assurance. Work is ongoing to understand the impact of this guidance on the nature of our audit report. Our risk assessment was one of the first undertaken and prior to signing we are planning to undertake a moderation exercise to compare our findings with those of similar authorities.

#	Item of account	Risk of material misstatement identified	Procedures to address the risk of material misstatement	Findings and conclusions from the procedures
1	Usable and Unusable Reserves	The balance of, and movement in usable and unusable reserves may be materially misstated in the disclaimed period.	<p>We will review the management’s working for usable and unusable reserves.</p> <p>The initial information request has been issued by the audit team and responded to by management. Review of this information and follow up of issues is planned to take place in April 2026</p>	We have no matters to report as a result of our risk assessment work.
2	Valuation of Property, Plant and Equipment & Additions to PPE	<p>We were unable to obtain sufficient appropriate audit evidence over the net assets as at 1 April 2023 in the previous audit. As a result, the valuations for 2021/22, 2022/23 and 2023/24 may be misstated.</p> <p>There is also a risk of inappropriate capitalisation of expenditure across 2021/22, 2022/23 and 2023/24. This would result in assets being overstated and expenditure understated in the relevant periods, with a consequent impact on the level of General Fund reserves available to the Authority at the start of the period subject to our audit.</p>	<p>We will select addition sample for these period to assess whether capitalisation was appropriate and addition recognised in the correct period.</p> <p>We will obtain valuation report for these disclaimed period, assess the method, application, assumptions and data used.</p>	<p>We will perform substantive testing as part of 2025/26 audit.</p> <p>We have no matters to report as a result of our risk assessment work.</p>

# Appendix

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# Audit team and rotation



Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

	<p>Jon is the partner responsible for our audit. They will lead our audit work, attend the Audit and Governance Committee and be responsible for the opinions that we issue.</p>		<p>Ming is the manager responsible for our audit. They will co-ordinate our audit work, attend the Audit and Governance Committee and ensure we are co-ordinated across our accounts and VFM work.</p>		<p>Raghav is the in-charge responsible for our audit for the second year. They will be responsible for our on-site fieldwork. They will complete work on more complex sections of the audit.</p>
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To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Jon's third year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

# Audit cycle & timetable

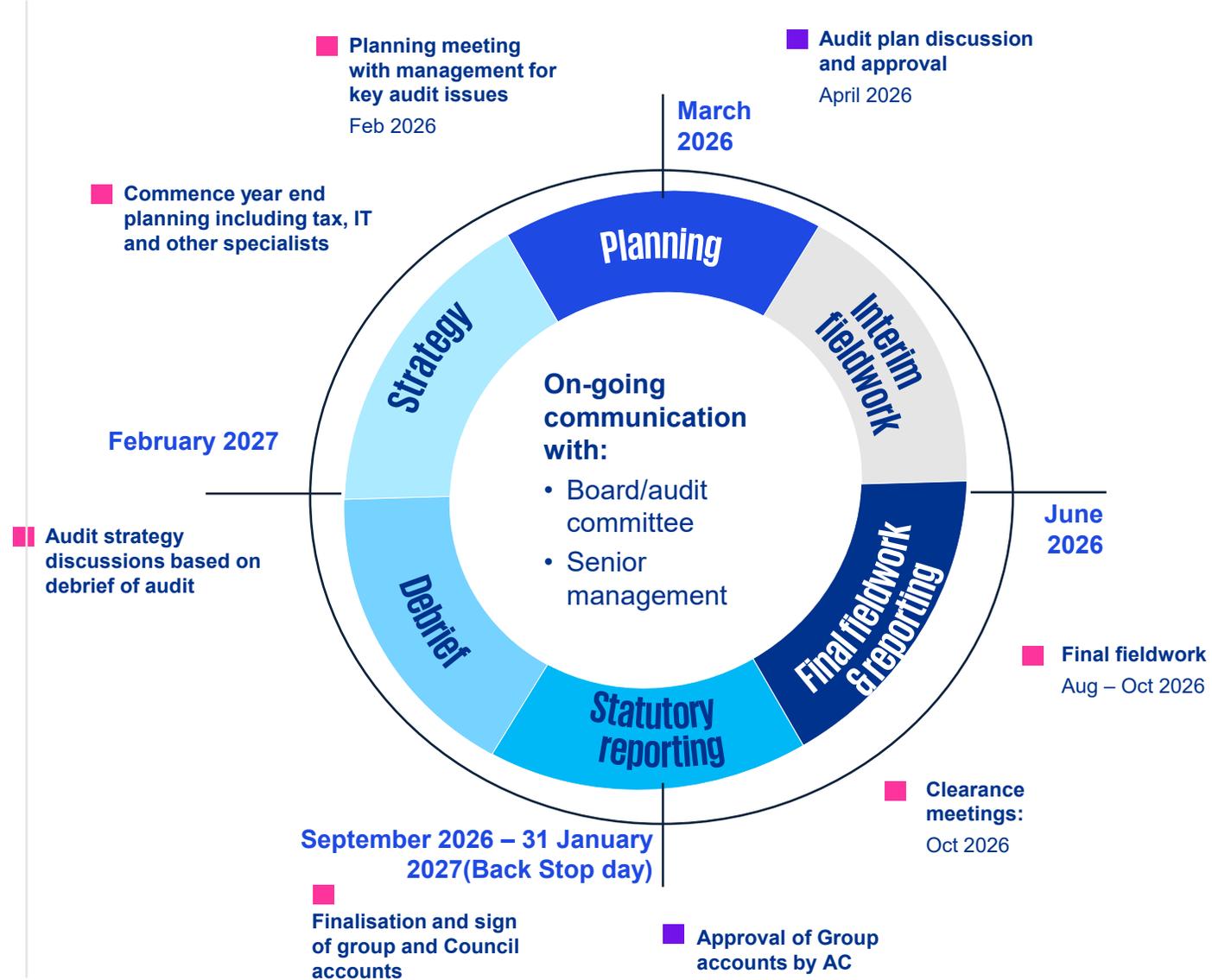
## Our schedule For FY2026

**Key:**

- Timing of AC communications
- Key events

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by 29 January 2027, ahead of the backstop date.



# Fees



## Audit fee

The audit fees for the year ended 31 March 2026 are set out below.

Entity	2025/26 (£'000)	2024/25 (£'000)
Scale fees as set by PSAA	345	335
Proposed fee variations (currently with PSAA for challenge/ approval)	-	58
Agreed current year fee variations	-	-
<b>TOTAL</b>	<b>345</b>	<b>393</b>

We note we are expecting fee variations for the following areas in 2025/26 and will advise of the level as work progresses:

- LGPS Triennial valuation (we will be in a position to provide an estimate once this has been considered further.

The fees also assume no risks of significant weakness are identified as part of the Value for Money risk assessment.

Fee variations are subject to PSAA approval.

## Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

## Basis of fee information

Our fees are subject to the following assumptions:

- The Council's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The Council's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.
- There are no VFM significant risks

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

# Confirmation of Independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

## To the Audit and Risk Committee members

### Assessment of our objectivity and independence as auditor of Reading Borough Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

#### *Summary of non-audit services*

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.

# Confirmation of Independence (count.)



Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Estimated Value of Services in the year ended 31 March 2026 £k (TBC at YE)
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	27.5
2	Teachers Pensions certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	8.4
3	Capital Pooling Grant	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	7.5

# Confirmation of Independence (cont.)



## Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

### Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.12: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2025/26
	£'000
Scale fees	345
Other Assurance Services	43
<b>Total Fees</b>	<b>388</b>

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

**KPMG LLP**

# How we will Collaborate with KPMG Clara collaboration (KCC)



**We have successfully deployed KPMG Clara collaboration for Reading Borough Council during 2024/25, bringing online collaboration features to the audit. The initial implementation has been successful, and we will continue to deploy additional features over the coming years.**

## What is KPMG Clara for Reading Borough Council?

- Your gateway into the audit - a dynamic, tailored homepage with real time alerts
- Prepared by management (“PBM”) functionality, providing an intuitive user interface for Reading Borough Council to securely provide KPMG with the required information and to track the status of KPMG’s requests.

Additional features to be deployed through the course of the audit:

- A dedicated and user-friendly space to easily share and collaborate on documents
- Access to the results of our digital audit procedures, through interactive data visualisation and dashboards.

## What have we achieved so far?

- KCC approved for use by Reading Borough Council
- Access for Reading Borough Council users setup through single sign-on
- Dedicated training sessions for Reading Borough Council.
- Q&A session hosted by KPMG to support onboarding of Reading Borough Council users.
- Use of PBM functionality for the audit in FY2024/25.

# KPMG's Audit quality framework



**Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.**

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

## ■ Commitment to continuous improvement

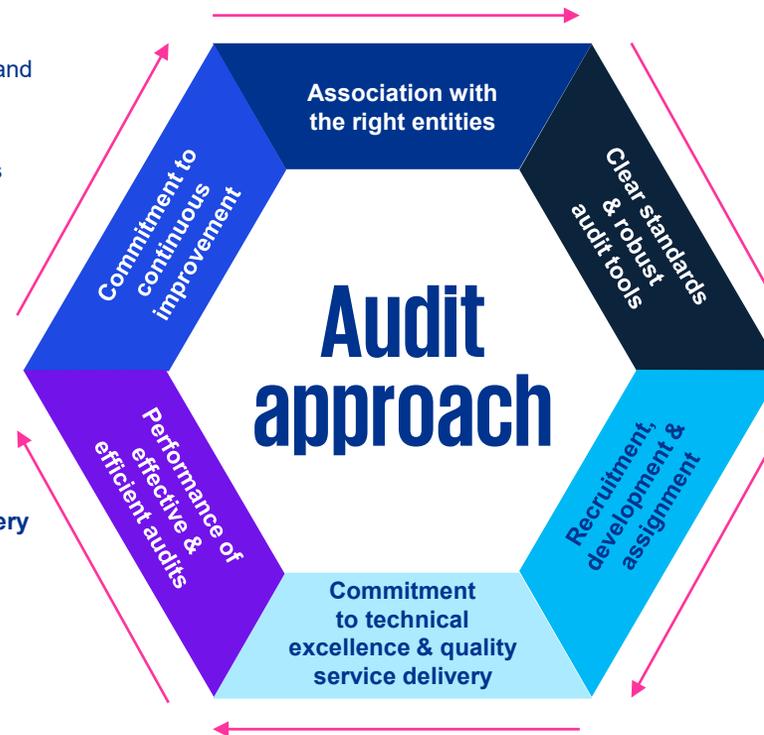
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

## ■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



## ■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

## ■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

## ■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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