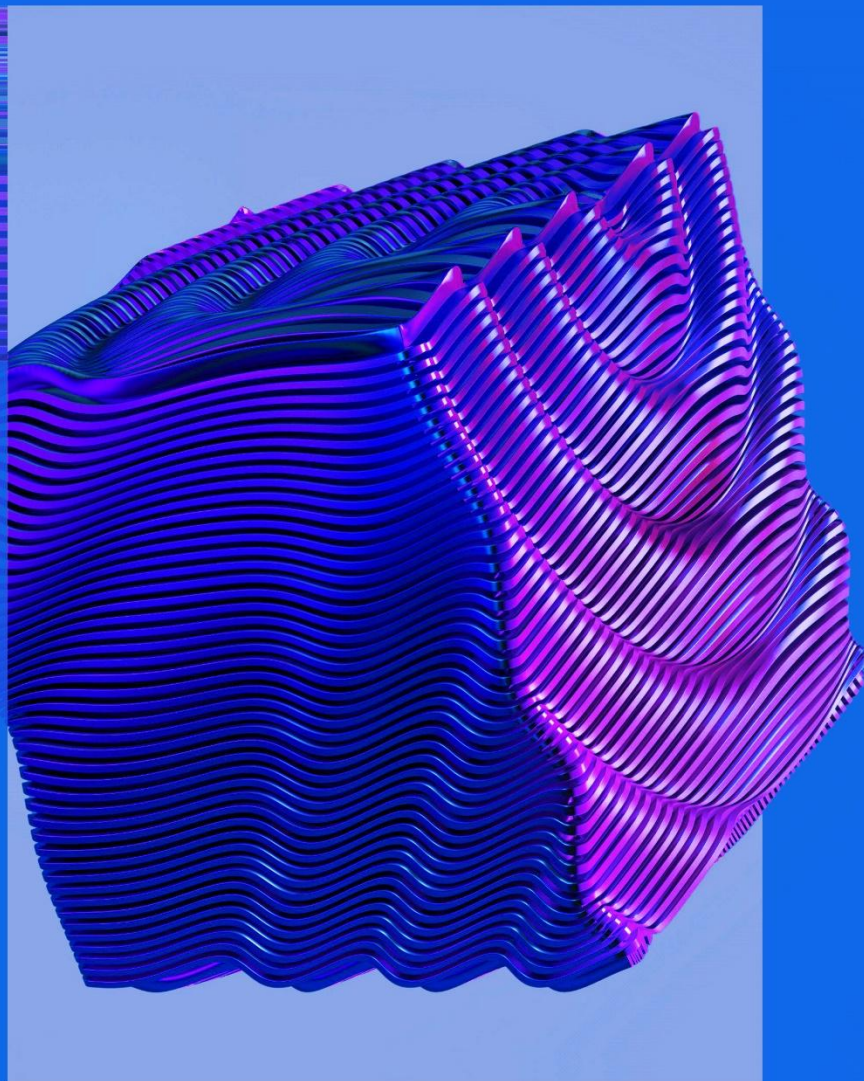




External Audit Progress Report

Report to the Audit and Governance Committee
Reading Borough Council



Executive Summary



Since the last meeting of the Audit & Governance Committee we have:

- Completed a large part of our final audit fieldwork which has included: selecting and testing samples across a wider range of financial statement captions; reviewing and challenging management's assumptions (particularly around estimates); and understanding and investigating variances year on year. Detail of the progress by area of the financial statements is shown as at the date of writing this report on the following page.
- Reviewed the actuarial valuation of the Local Government Pension Scheme as at 31 March 2026 which has highlighted a change in accounting. We are working with management and the actuaries in relation to the treatment of the underlying deficit of Brighter Futures as a result of bringing it back 'in-house'.
- Consulted with KPMG's valuation team and diarised a meeting with the Council's external valuer to investigate and challenge key assumptions, using other industry benchmarks and comparable property.
- Responded to the challenges arising through the backstop process, including substantially completing the Building Back Assurance substantive testing. The work is now largely complete and subject only to final review.
- Progressed our work over Value for Money, which has included: reviewing responses to our detailed questionnaire; collating Council reports through review of Minutes alongside documentation provided to date; and reviewing of the latest inspection report for Children's care services.

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;
- Conclude and finalise our reporting on Building Back Assurance;
- Communicate our draft findings through our Auditor's Annual Report.

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



Audit Progress as at 8 September



Financial Statements Area / Caption	Status update	On track to be complete by next meeting
Collection Fund	Work is largely complete	Yes
Other Income	Work is ongoing	Yes
Grants	Work is ongoing	Yes
Housing Rents	Work is largely complete	Yes
Human Resource	Work is largely complete	Yes
Other Expenditure*	Work is ongoing	Yes
Property Plant and Equipment*	Work is ongoing	Yes
Treasury and Debt	Work is largely complete	Yes
Investments	Work is largely complete	Yes
Defined Benefit Plans*	Work is ongoing	Yes
Other Disclosures	Work is largely complete	Yes
Group	Work is yet to be performed	Yes

Work is largely complete in this area

Work is on-going in this area

Work is yet to be performed in this area

* Significant risk in this area

Value for Money Update

Summary of risk assessment

As set out in our Audit Plan presented in April 2026, 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.

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 statement of 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 statement of accounts.

Summary of work to date

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

VFM 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

Description of risk	Procedures being performed
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.	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 to ascertain reasons for the non delivery of the savings plans; and 4. Conduct interviews with senior management to understand the feasibility of on-going recovery plans and measures to support financial sustainability.



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