

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 16 JULY 2025

Present: Councillor Williams (Chair);

Councillors McGoldrick (Vice-Chair), Dennis, Keane, McGrother, Mitchell, Moore and Stevens

Apologies: Councillor Asare

1. MINUTES OF THE PREVIOUS MEETING HELD ON 9 APRIL 2025

The Minutes of the meeting held on 9 April 2025 were confirmed as a correct record and signed by the Chair.

Further to Minute 36 of the previous meeting, on the Information Governance Quarterly Update, which had included stating that the report had provided an update on “the on-time responses to FOI requests, which stood at 90.3% in Quarter 3, a significant improvement from the 45.7% recorded in Quarter 2 of 2024/25”, it was reported at the meeting that it had subsequently been discovered that, in changing the method of reporting, the team had inadvertently selected an incomplete dataset to report upon and, as a consequence, earlier cases in the period had not been counted for the statistics reported to the Committee. When reviewed and checked, the Customer Relations Team and the Performance Team had agreed the performance for FOI in Q3 had been 69% sent out in timescales and the process used to report data going forward had been reviewed. An update on the more recent statistics was given at the meeting (Q4 of 24/25 – 80% of FOIs had been sent out in timescales; Q1 of 25/26 - 87% of FOIs had been sent out in timescales, with monthly data: April – 82%; May – 91%; June – 90%) and a full report would be given at the next meeting.

Resolved: That the position be noted.

2. 2024/25 DRAFT STATEMENT OF ACCOUNTS

The Committee received a report on the unaudited draft 2024/25 Statement of Accounts for Reading Borough Council, and the Reading Borough Council Group which included its subsidiaries Brighter Futures for Children, Reading Transport Limited and Homes for Reading, which had been published on the Council’s website by the statutory deadline of 30 June 2025, and was attached at Appendix 1 to the report. It stated that this was the first time the Council had met this requirement for nearly a decade, and it represented the passing of a significant milestone as the Council sought to play its part in the national recovery programme for external audit opinions.

It was reported at the meeting that the formal public inspection period was from 9 July to 19 August 2025.

The report also outlined the timing of the external audit scrutiny of the accounts, with the aim of reporting to the next Committee in September 2025 a substantially completed process. It stated that the Government had set a backstop date of 27 February 2026 for the external audit opinion to be issued.

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.**

3. EXTERNAL AUDITOR UPDATE

The Committee received a covering report on behalf of the Council's External Auditor, KPMG, which had attached a draft External Audit Plan & Strategy for the year ending 31 March 2025. The external audit process included the approval of the annual Statement of Accounts results and the publication of accurate, transparent financial information which gave a true and fair view of Reading Borough Council's economic performance and financial stability.

Jonathan Brown and Edward Mills from KPMG addressed the meeting and highlighted key areas from the Audit Plan & Strategy for the Committee to consider.

Resolved: That KPMG's draft External Audit Plan & Strategy for the year ending 31 March 2025 be noted.

4. CHIEF AUDITOR'S ANNUAL ASSURANCE REPORT 2024/25

The Committee considered a report setting out at Appendix 1 the Internal Audit Annual Assurance Report of the Chief Auditor for 2024/25, 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 set out key themes arising from the work of the Audit Team during the 2024/2025 financial year, and compared the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

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 the areas audited in 2024/25. 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 opinion did not imply that Internal Audit had reviewed all risks relating to the organisation and assurances should also be taken from other appropriate sources.

The report stated that the reasonable assurance reflected a significant improvement from previous years, with only 18% of audits receiving limited or no assurance in 2024-25, compared to 44% in 2023-24, 26% in 2022-23, and 38% in 2021-22. The report provided a comprehensive overview of internal audit activities conducted in 2024-25. A total of 17 audits, two advisory reports, and eight grant certifications had been completed.

The Committee noted that management responses within 15 days of Internal Audit issuing a draft report had fallen from 86% in 2023/24 to 62% in 2024/25, despite having improved from 2022/23 to 2023/24. Managers were expected to meet the 15-day target on at least 75% of occasions where a draft report had been received.

With reference to the section of the report which stated that the most commonly used channel for submitting whistleblowing referrals was the whistleblowing@reading.gov.uk email address, accessed only by Internal Audit staff, who triaged the concerns and, where appropriate, forwarded them to the relevant service for investigation, members of the Committee queried whether this mailbox had higher levels of security and encryption than other mailboxes, given the sensitivity of the information. The Chief Auditor said that he would need to find out and report back to the Committee.

Members of the Committee also expressed interest in having some 'Introduction to Internal Audit' training, similar to that provided in the previous year, possibly prior to a Committee meeting.

Resolved:

- (1) That the assurance opinion given by the Chief Auditor and the issues raised in the annual report be noted and the Committee's thanks to the Internal Audit team for their work during the year be recorded;**
- (2) That Assistant Directors be advised that the Committee placed a high reliance on Internal Audit and hoped that management responses would be more timely in future in responding to Internal Audit draft reports within the 15-day target timescale;**
- (3) That the Chief Auditor find out the level of security on the whistleblowing@reading.gov.uk mailbox and report back to Committee members via email;**
- (4) That the Chief Auditor organise training on Internal Audit for members of the Committee.**

5. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

The Committee considered a report providing an update on the key findings from the Internal Audit reports issued for the period 1 April to 30 June 2025 (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, as follows:

- Debt Management (Reasonable Assurance opinion given);
- Accounts Payable (Reasonable Assurance opinion given);

- Housing Rents and Charges (Reasonable Assurance opinion given);
- Right to Buy (Reasonable Assurance opinion given);
- Residents Parking Permit Enforcement (Limited Assurance opinion given).

In relation to Residents Parking Permit Enforcement, the audit had found that, while the system met statutory requirements, improvements were needed in policy clarity, system controls, contract management and data reporting to enhance transparency, efficiency and accountability.

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

Resolved: That the audit findings be noted, and the recommendations and management action under way, as set out in the Internal Audit & Investigations 2025/26 Quarter 1 Update Report, be endorsed.

6. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

The Committee considered a report setting out a summary of Internal Audit recommendations and updated management responses, which focused on those recommendations where there had been either a 'limited' or 'no assurance' opinion. Appendix 1 to the report contained a summary of Internal Audit recommendations and updated management responses since the Committee meeting on 25 September 2024. The report stated that the frequency of reporting to Committee would now be twice per year.

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 29 recommendations currently on the tracker. Ten had been reported as complete in August 2024 and had been removed from the tracker. Seven new recommendations had been added for the Commercial Rents and Leases audit and six recommendations for Supported Living. Twelve recommendations had been marked as complete, four recommendations had been marked as 'Red' with six ranked as 'Amber' and seven 'Green'.

The Committee noted that the red overdue recommendation on Supported Living regarding developing a specialist review had had a due date of 31 March 2025 and that the recommendation seemed to suggest financial risk and that it related to an important part of service provision, including to providers outside the supported living framework. The management response and latest update suggested that there was a project over three years which may solve the problem, but it would be starting with providers within the framework, and it was queried whether this was a proportionate response to sufficiently control the risk, given the findings.

It was suggested that a written answer be requested, noting that, if members of the Committee were not satisfied with the answer, the appropriate Assistant or Executive Director for the service could be asked to attend a future meeting of the Committee to answer further questions.

Resolved:

- (1) **That progress against the audit recommendations for audits assigned a 'limited' or 'no assurance' opinion, as set out in the Appendix to the report, be noted;**
- (2) **That the high and medium risk Internal Audit recommendations and the responses to those risks be noted as set out in Appendix 1 to the report;**
- (3) **That the Chief Auditor provide a written answer to members of the Committee to the question of whether the response to the audit recommendation on Supported Living regarding developing a specialist review was a proportionate response to sufficiently control the risk, given the findings of the audit.**

7. ANNUAL TREASURY MANAGEMENT REVIEW 2024/25

The Committee considered a report on the Council's Treasury Management Strategy and Annual Investment Strategy for 2024/25. 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 2024/25 the Bank of England base interest rate had sat at 5.25%. As had been reported through the quarterly review reports, the bank rate had been cut to 4.75% by the end of Quarter 3 and had been subsequently cut further to 4.50% on 6 February 2025. Outside of this reporting period, the bank rate had been cut further to 4.25% on 8 May 2025 and held at this level on 19 June 2025. The next projected cut to bank rate was currently forecast to occur in August 2025.

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 2024/25 the Council took out short-term loans (less than one year in duration) of £253.500m (from other local authorities) at an average interest rate of 5.13%.

Overall, the Council had under borrowed by £149.718m as at 31 March 2025. As a consequence, the Council had effectively avoided the requirement to budget for and incur external interest costs in the order of £6.168m during 2024/25, based on the average rate for the existing debt portfolio of 4.12%. Against the 2024/25 General Fund budget, there had been an overall positive net variance of £2.653m on the Capital Financing budget as reported in the 2024/25 Quarter 4 Performance report to Policy Committee on 21 July

2025. 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 2024/25. The Borrowing and Investment portfolios and a list of approved Countries for Investments as at 31 March 2025 were appended to the report.

Resolved: That the Treasury Management Outturn Report for 2024/25 be noted.

8. ANNUAL GOVERNANCE STATEMENT 2024/25

The Committee considered a report setting out the draft 2024/25 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 now incorporated new guidance in relation to the Council's Best Value duty. The enhanced and restructured AGS demonstrated the Council's continued commitment to maintaining the robust governance arrangements while addressing emerging challenges and regulatory requirements.

Assistant Directors and Executive Directors had completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. The improvements to governance arrangements and internal control which had been identified were set out in the AGS. The AGS stated that, having undertaken the review, the Council was satisfied that suitable and appropriate governance arrangements were in place but identified further improvements that were set out in the conclusion of the AGS.

It was noted that the Assistant Director of Legal and Democratic Services would be making any necessary minor amendments to the draft AGS in consultation with the Leader and Chief Executive, prior to signature of the final AGS by the Leader and Chief Executive. The Committee's role was to review the AGS prior to approval, to consider whether it properly reflected the risk environment and supporting assurances, including the head of internal audit's annual opinion, and to consider whether the annual evaluation for the AGS fairly concluded that governance arrangements were fit for purpose, supporting the achievement of the Council's objectives.

Resolved:

(1) That the Annual Governance Statement for 2024/25 be noted;

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- (2) **That the Committee considered that the annual evaluation for the AGS fairly concluded that governance arrangements were fit for purpose, supporting the achievement of the Council's objectives.**

(The meeting commenced at 6.30pm and closed at 8.03 pm)