

Slough Borough Council

Report To:	Audit & Corporate Governance Committee
Date:	30 June 2025
Subject:	Head of Internal Audit Annual Report & Opinion 2024/25
Chief Officer:	Annabel Scholes – Executive Director Corporate Resources (S151)
Contact Officer:	Ian Kirby – Head of Internal Audit
Ward(s):	All
Exempt:	No
Appendices:	None

1. Summary and Recommendations

- 1.1 This report presents the Head of Internal Audit's Annual Report and Opinion for the financial year 2024/25 and supports the production of the Annual Governance Statement (AGS).
- 1.2 The Council has made significant progress in stabilising its governance, implementing a new risk framework and has delivered improvements within Internal Audit. However, these improvements are not yet fully embedded and their benefits will not be delivered until the 2025/26 financial year at the earliest. As a result, my opinion is as follows:

Head of Internal Audit's Opinion Statement for 2024/25	It is the Head of Internal Audit's opinion that overall, Internal Audit can provide NO ASSURANCE that the systems of internal control, risk and governance in place at Slough Borough Council, for the year ended 31 March 2025, accord with proper practice and/or were operating as intended.
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- 1.3 A 'No Assurance' opinion may be defined as:

The absence of several key elements of the control environment in design and/or operation; little or no assurance to be derived from the management of key risks to the Council objectives; the need for extensive improvements to be made; substantial variance between the risk appetite and the residual risk to objectives; the risk that objectives will not be achieved.

Recommendations:

Committee is recommended to:

- a) Review and consider the Head of Internal Audit's Annual Report & Opinion
- b) Note and consider the assessment of Internal Audit's organisational independence; resourcing; and plans to self-assess and commit to an external review of compliance with the Standards.

Reason:

- 1.4 The Global Internal Audit Standards (GIAS), effective from 1 April 2025, together with the CIPFA Local Government Application Note, require the Chief Audit Executive (Head of Internal Audit) to report annually on the effectiveness of the organisation's governance, control environment and risk management.
- 1.5 The Audit & Corporate Governance Committee has oversight and responsibility for Internal Audit within Slough Borough Council.

Commissioner Review

The Head of Internal Audit annual opinion is an integral piece of the Council's governance framework. It provides assurance to inform the Annual Governance Statement and Audit and Corporate Governance Committee in making their own annual report to Full Council on the overall effectiveness of the Council's governance, risk management and control processes.

The independent and objective opinion of the Head of Internal Audit is that overall 'no assurance' can be provided, that the systems of internal control, risk and governance in place, accord with proper practice and/or were operating as intended.

In considering this opinion the Council need to reflect on the multi-year improvement journey from what was considered to be a low base, progress made, improved practices and more specifically the immediate management action to be taken by the Council to address the identified weaknesses in the assurance reports referenced, with the aim of improving the control environment and transitioning from action plans to demonstrable delivery of tangible outcomes.

Failing to act will put at risk the achievement of some of the strategic and operational objectives and the ability of the Council to demonstrate that it has arrangements in place to secure continuous improvement in how it carries out its work.

2 Report

Introduction

- 2.1 The delivery of effective Internal Audit provides those charged with governance, including the Committee, with assurance that key controls are in place and operating effectively across the whole Council. This report presents the Head of Internal Audit's annual report and opinion for the municipal year 2024/25 only.

- 2.2 The current Head of Internal Audit has been in post since 6 January 2025 and this opinion relies, to some extent, on the three-quarter opinion provided by the previous Head of Internal Audit who was in post between April 2024 and January 2025.
- 2.3 As the previous Head of Internal Audit only took up their role in April 2024 and their predecessor failed to provide an opinion prior to departure, no Head of Internal Audit Opinion, for Slough Borough Council, was provided for 2023/24.
- 2.4 GIAS 11.3 (Communicating Results) references that a Head of Internal Audit may be required to make a conclusion to the host organisation about the effectiveness of its governance, risk management and/or control. In the UK public sector, a Head of Internal Audit must prepare such an overall conclusion at least annually in support of wider governance reporting, typically the Annual Governance Statement (AGS). This overall conclusion must encompass governance, risk management and internal control.

Background

- 2.5 The GIAS define the role of the Internal Audit function as “A professional individual or group responsible for providing an organisation with assurance and advisory services”. Although this definition supersedes the previous Public Sector Internal Audit standards’ definition, Internal Audit remains an “independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 2.6 The overall strategy for Slough’s Internal Audit function is:

“To add value and encourage improvement in all areas of the Council’s business through the delivery of a risk-based Internal Audit Plan in a professional, independent manner, providing the organisation with an opinion on the level of assurance it can place upon its risk management, internal control and governance systems”
- 2.7 The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires authorities to “make arrangements for the proper administration of their financial affairs”.
- 2.8 Regulation 6 of the Accounts and Audit (England) Regulations (Amended) 2021, more specifically, requires that the Council “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Basis for Opinion

2.9 The outcome of the audits undertaken during the year by Internal Audit should form the primary basis of the annual audit opinion over the adequacy and effectiveness of the governance, risk, and control framework. Additionally, the following potential sources of assurance are taken into account:

- Anti-fraud activity and fraud investigations
- Follow up of management actions
- The Council's governance and risk management framework
- Inspections and external reviews, including work undertaken by the External Auditor, and specifically for Slough:
- The former Head of Audit's three-quarter opinion April to December 2024

2.10 When considering the opinion readers should note the following:

- This opinion is based solely upon the areas taken into consideration (governance, risk management and internal control) and it is not affected by any specific impairments or scope limitations
- Assurance can never be absolute, neither can Internal Audit's work be designed to identify or address all weaknesses that might exist
- Responsibility for maintaining adequate and appropriate systems of governance, risk management and internal control resides with the Council's management and not Internal Audit.

3. The Efficiency & Effectiveness of Internal Audit

3.1 Over the last 2 years Internal Audit at Slough Borough Council has gone through a period of significant change. During that period the service:

- Has returned in-house from an external arrangement with RSM
- Has had four Heads of Internal Audit
- Has been subject to high staff turnover
- Has become reliant on interim resources to support delivery
- Has failed to provide an audit opinion for 2023/24
- Has failed to provide a level of coverage in 2024/25 that provides those charged with governance with assurance on controls, risk management and governance.

Internal Audit Resources

3.2 In their three-quarter review/opinion, the previous Head of Internal Audit, in post from April 2024 to January 2025, was critical of the 2021 options appraisal that saw the Internal Audit service brought back in-house and the resultant core resources allocated to the team. They argued that three full-time equivalent auditors, one of whom was on maternity leave, was insufficient to deliver an effective audit plan for 2024/25, provide assurance to those charged with governance and deliver an audit opinion.

3.3 During 2024/25, the Council sought to address the resourcing concerns by supplementing the team with the addition of two interim auditors to support the core team. Recognising the increasingly positive impact of the team, and the additional resources, the Council has underlined its commitment to Internal Audit by supporting the 2025/26 Plan delivery by ring-fencing a sum of corporate contingency budget to cover the additional costs of the two interim auditors and the interim Head of Service. This additional funding is predicated on the consideration of a future model for delivery for Internal Audit that provides a stable structure to provide a value adding, sustainable service.

3.4 In the absence of a credible risk-based 2024/25 Internal Audit Plan and associated delivery output, the Council took the difficult decision to replace its Head of Internal Audit, and the current Head of Internal Audit was appointed on 6 January 2025. In the interim period significant progress to raise the profile of Internal Audit within the organisation, adopt a more collaborative approach, deliver broader audit coverage and deliver a Plan for 2025/26 has been achieved. However, with a disappointing level of output over the course of the whole year, despite recent improvements and the commitment of resource by the Council for 2025/26, the ability of Internal Audit to positively impact this 2024/25 opinion is significantly limited.

Organisational Independence

3.5 The previous Head of Internal Audit both within their three-quarter opinion and evidenced in Audit & Corporate Governance Committee meetings raised issues of impairment and direction from senior management, during 2024/25, that they suggested limited their ability to undertake the role and deliver the Internal Audit function effectively. However, the current Head of Internal Audit has experienced no such impairment and has had the freedom to plan and conduct the delivery of the service unencumbered and retains unconstrained access to the Audit & Corporate Governance Committee and senior management including the Chief Executive.

3.6 Slough Borough Council has delegated responsibility for ensuring that statutory Internal Audit arrangements are in place to the Executive Director of Corporate Resources (Section 151 Officer). On a day-to-day basis the Head of Internal Audit and the Internal Audit team provide internal audit services to the Council on behalf of the Executive Director of Corporate Resources. However, Internal Audit remains independent in its planning and operation and has no responsibility for delivering or managing non-audit services. The Head of Internal Audit, although reporting structurally to the Executive Director of Corporate Resources, has open lines of communication with and access to:

- The Chief Executive
- The Section 151 officer
- The Monitoring Officer
- Commissioners
- Corporate Leadership Team
- The Leader of the Council

- The Chair of Audit & Governance Committee
- The External Auditors

In order to undertake its role effectively, Internal Audit retains the authority to:

- Enter at all reasonable times any Council establishment
- Have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary
- Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud
- Request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination
- Require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control
- Access records belonging to third parties, such as contractors or partners, when required and appropriate.

3.7 The Head of Internal Audit is responsible for both Internal Audit and Counter-Fraud services. As a result, no additional safeguards are required to mitigate the independence of the Head of Internal Audit in delivering the audit function.

Conformance with the Standards

3.8 No formal assessment, internal or external, of Internal Audit against the Public Sector Internal Audit Standards (PSIAS) has been undertaken since the service returned in-house in 2023 and as a result no Quality Assurance & Improvement Plan (QAIP) is in place. Therefore, the service 'does not conform' to the Standards.

3.9 The new Global Internal Audit Standards (GIAS) and associated Local Government Application Note came into force on 1 April 2025. Conformance with the wider Standards will be determined in Quarter 1 of 2025/26 through an internal self-assessment, the development of an associated action plan to address any identified gaps and the validation of the self-assessment through an independent external assessment in Quarter 3.

Detailed Audit Results – 2024/25

3.10 Internal Audit output during 2024/25 has failed to provide sufficient coverage to deliver adequate assurance as to the effectiveness of the Council's control environment and governance. The team has delivered only 12 final reports in the year, despite the introduction of 'sprint' audits in quarter 4 as a means of providing broader coverage over a limited period of time.

The lack of coverage may, in part, be attributed to:

- The relatively small team when compared to other councils of a similar demographic
- High turnover of the small team, especially at Head of Internal Audit level

- The lack of a detailed, risk-based and adequately resourced plan for the majority of the year
- The failure, with such a small team, to backfill a maternity absence

Of the 12 audits completed, 6 were commenced in the 2023/24 financial year; 3 were advisory in nature; 2 were completed by a third-party IT specialist; and 1 was technically finalised in 2025/26, although all substantive work was completed in the relevant year.

3.11 Both the previous Head of Internal Audit and some of the current team, have identified officer engagement as a barrier to the completion of timely audits. I am not in a position to dispute this finding for the period to January 2025, however I can report that engagement is perceived, particularly by the team, to be improving. Key to that improvement has been a more general collaborative approach from Internal Audit, the intervention of the Head of Internal Audit, where necessary, and the support of Corporate Leadership Team. The culture, in relation to Internal Audit, is changing for the better.

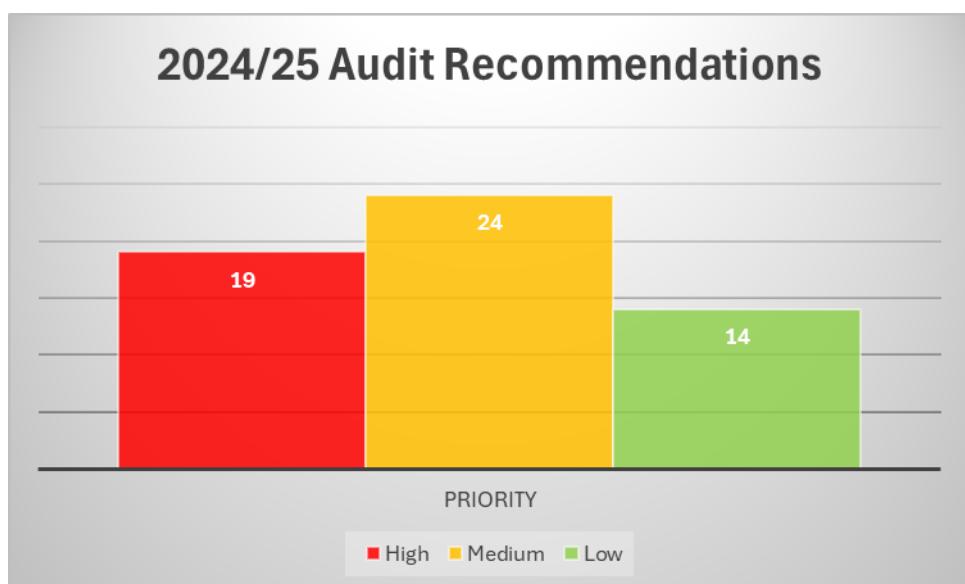
3.12 Summary audit results for 2024/25 are shown in the table below:

IA Ref.	IA Review Area	Audit Work Started	Draft Report Issued	Final Report Issued	Current Status as at End of April 2025	Assurance Level	Management Actions		
							H	M	L
12.23/24	Asset Disposal Program	01/10/2023	12/07/2024	06/09/2024	Final Report Issued	Partial Assurance	1	1	-
13.23/24	Review of SBC Subsidiary Companies – Governance Follow	01/11/2023	29/02/2024	30/08/2024	Final Report Issued	Minimal Assurance	5	-	-
14.23/24	Payroll	01/02/2024	02/04/2024	14/05/2024	Final Report Issued	Substantial Assurance	-	-	1
15.23/24	IT Asset	01/02/2024	26/06/2024	15/08/2024	Final Report Issued	Partial Assurance	-	4	3
16.23/24	Agresso Transaction Review	01/01/2024	16/07/2024	06/09/2024	Final Report Issued	N/A: Advisory Report	-	-	-
17.23/24	Agresso Application Review	01/01/2024	25/04/2024	13/08/2024	Final Report Issued	N/A: Advisory Report	-	-	-
1.2425	Corporate Memory	01/09/2024	18/02/2025	30/04/2025	Final Report Issued	Minimal Assurance	5	-	1
2.2425	Contract Management	01/08/2024	25/02/2025	25/03/2025	Final Report Issued	Partial Assurance	5	5	0
3.2425	SEND complaints	01/11/2024	19/02/2025	25/03/2025	Final Report Issued	Partial Assurance	3	5	1
4.2425	Schools - Baylis Court Nursery	01/11/2024		29/01/2025	Final Report Issued	Reasonable Assurance	-	8	-
7.2425	Temporary Accommodation	01/12/2024	24/01/2025	27/03/2025	Final Report Issued	N/A: Advisory Report	-	-	-
8.2425	Schools - Priory Follow-Up	01/11/2024		13/03/2025	Final Report Issued	Reasonable Assurance	-	1	8
Total number of IA Recommendations Raised							19	24	14

3.13 Analysis of the 2024/25 audit results show what, for a risk-based Plan, may appear a reasonable distribution of audit assessments. However, it was not until quarter 4 that any risk-based Plan was being delivered and the volume of audits is too low to draw any meaningful conclusions.



3.14 Other than references to records management, it is difficult to draw any meaningful conclusions from the 57 audit recommendations issued as part of our 2024/25 work. What we can see is that 75% of all recommendations are either High or Medium but coverage is insufficient to determine whether this pattern would be repeated if the number of audits was anywhere near the number of assignments identified as part of 2025/26 Planning. Officer decision-making – records management has been included in the 2025/26 Plan as a high priority audit.



3.15 Internal Audit continues to monitor and work with services to support the implementation and closure of Internal Audit recommendations. Although some significant progress has been made to close historic audit recommendations, our

records show that around 75 high, medium and low recommendations, covering the years 2021 to 2024 remain outstanding. Work to support implementation through both performance management and follow up auditing is included within the 2025/26 Plan.

3.16 Internal Audit carried out a follow up review of its 2022/23 audit on Council companies in August 2024 and, as a result, highlighted five high priority recommendations related to: the development of a consolidated company action plan; director appraisals; a documented company reporting timetable; the review and finalising of service level agreements; and the review and standardisation of governance documentation for all companies. These recommendations are not yet fully implemented.

Although the Council has undertaken some work to review and improve governance of its companies, Council company governance and oversight has been added to the corporate risk register. It is unclear the extent of the Council's current risk exposure and it is difficult to provide any assurance on the governance of Council companies within this report.

3.17 The 2025/26 Internal Audit Plan will address coverage issues through the undertaking of over 45 audit assignments and providing a total of 630 audit days.

4. Counter-Fraud

4.1 The Counter Fraud Team (CFT) was strengthened during 2024/25 with the appointment of two permanent Housing Investigation Officers. The team takes a pro-active approach to fraud prevention, detection and recovery.

The CFT supports the Council in meeting its statutory responsibility under Section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the CFT underpins the Council's commitment to a zero-tolerance approach to fraud, bribery, corruption, and other irregularities, including any money laundering activity.

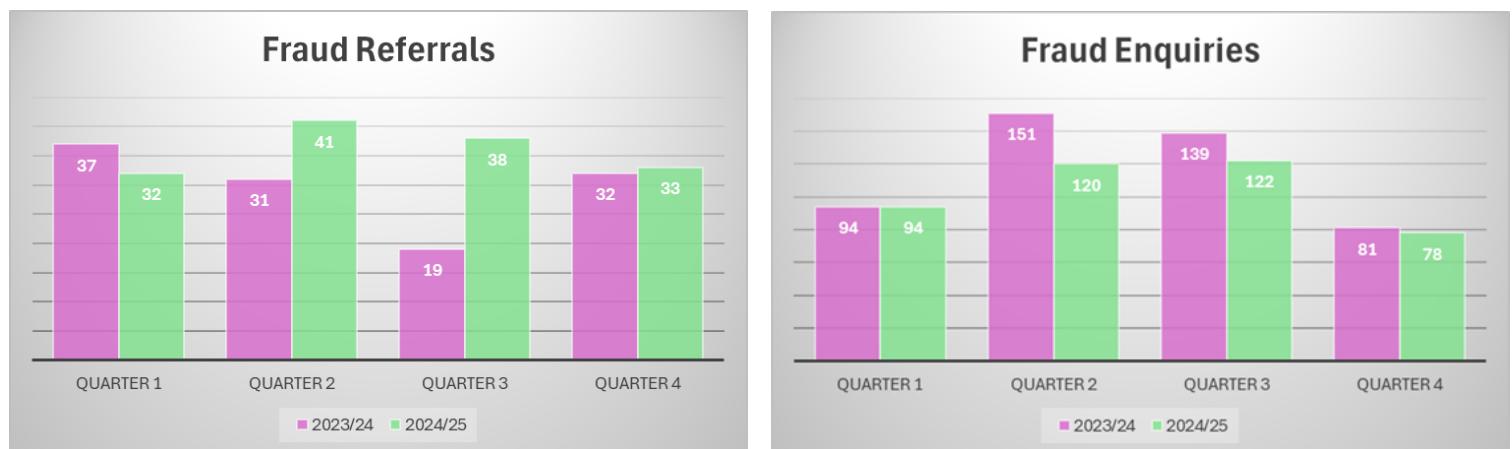
The CFT works closely with SBC and its partners to prevent, detect, and investigate allegations of fraud and corruption occurring within and/or against the authority. An Anti-Fraud and Corruption Response Plan is in place to ensure that members and employees know what action to take should they become aware of or suspect fraud or corruption.

The team works on a range of high-risk areas that include, but are not limited to:

- Social Housing Fraud
- Right to Buy Fraud
- Council Tax Fraud
- Housing Tenancy Fraud

- Corporate and Internal Fraud
- Financial Investigations; Proceeds of Crime (POCA)
- Social Care Fraud

4.2 During 2024/25 fraud referrals increased by almost 25%. This may be attributed to the increased capacity of the team, greater appreciation and understanding of how to make a referral or a genuine increase in suspicion of fraud occurring. Regardless, this is a worrying trend. Interestingly, during the same period, enquiries to/of the CFT have reduced by 10% - see below:



There is no clear correlation between Referrals and Enquiries and the respective trends may merely reflect an increasing awareness and/or understanding of the referral route.

4.3 Although the team has had some notable successes (Annual Counter-Fraud report Audit & Corporate Governance Committee – 30 April 2025) in terms of prosecutions, recovery of property, recovery of blue badges – the team is continuing to see an increasing caseload and the risk of fraud, linked to control failures in particular, remains high.

5. Governance

5.1 The Council issued a S114 Notice in July 2021 and since that time has been subject to the intervention by Government through its Commissioners. Relevant to this report and opinion, I have taken account of the Commissioners' update letter to the Minister, dated 9 September 2024, outlining the progress being made, the scale of the challenge, in terms of financial and other risk, and their recommendation to extend intervention for a further two years to November 2026.

5.2 On a positive note, the Commissioners recognised the progress being made under "a new experienced interim Chief Executive and enhanced Corporate Leadership Team" and a commitment to pursue a stable, permanent leadership team, a process which concluded with the recent, permanent appointment of the Executive Director People (Adults) and the statutory Director of Adult Social Services (DASS).

5.3 However, the Commissioners also highlighted that the “scale and uncertainty of financial issues, combined with historic and political leadership challenges” had hindered the pace at which change had and was happening. The Commissioners identified 5 specific risks leading to their continuation of intervention recommendation, namely:

- Financial Stability/asset management
- Development of a future Target Operating Model
- Organisational resilience, capacity and capability
- Political/Member development
- Improved service delivery

5.4 In September 2024, the External Auditors (Grant Thornton) issued their annual report covering the years 2021/22, 2022/23 and 2023/24. The report highlighted a number of significant, on-going challenges facing the Council, not least its financial sustainability, its reliance on exceptional funding support and the effectiveness of its governance arrangements. The wider impact of these challenges on 2024/25 are not yet clear, I am therefore, unable to draw additional assurance from their report.

5.5 The S151 Officer’s Section 25 statement references that the Council has in place a Finance Improvement Programme containing 37 projects linked to financial improvement and aligning with the CIPFA Financial Management Code. Although some progress is evident, the programme itself runs into the 2026/27 financial year meaning that the benefits will be delivered incrementally over that period. It is difficult to quantify the impact of these projects during 2024/25 and as stated within the Section 25 statement, “it is highly probable that further issues could materialise as the FIP evolves” therefore limiting the assurance I can attribute within this opinion.

5.6 In November 2024 and in advance of formal backstop procedures, the External Auditor formally signed a ‘disclaimed’ opinion on the 2018/19 audit. The opinion resulted from the number of issues experienced in performing the audit such as the availability of records and the management of journals. This was the last full audit undertaken by the External Auditor and resulted in a number of statutory recommendations. The Council has responded positively and is addressing these recommendations through the Finance Improvement Programme.

5.7 As reported at 30 April Audit & Corporate Governance Committee, the Accounts and Audit Regulations (amended) set out the requirements for the publication of backlog statements of accounts. The Council has continued to work to a very challenging timetable over the period of the last financial year to prepare, publish for public inspection and have audited five separate Statements of Accounts (2019/20 to 2023/24), and have now also commenced the process for preparation of the 2024/25 accounts. Although it is positive that this work has been completed, our External Auditors have issued disclaimed opinions in accordance with backstop guidance, for all years except 2023/24, as they are unable to provide substantive

assurance that financial statements are properly put together and free from material error.

For 2023/24, officers have had to undertake further reviews of 2023/24 balance sheet items prior to finalisation and publication of the draft Statement of Accounts. The outputs of this review risk the closing balances for 2023/24 and therefore the opening balance for 2024/25, the audit opinion year. As a result, I can provide no assurance on the adequacy of the 2024/25 budget.

6. Risk Management

- 6.1 Responsibility for risk management was transferred from Internal Audit to Corporate Finance during 2024/25. The appointment of an experienced Risk Manager has enabled the service to implement a corporate risk management process that aligns with best practice and has led to the production of comprehensive risk dashboards, the establishment of sub-risks and regular and comprehensive reporting to both management and Audit & Corporate Governance Committee.
- 6.2 The risk management process remains one of continuing improvement and development but is not yet fully embedded or mature. On this basis, the Head of Internal Audit can, for 2024/25, only provide limited assurance as to its effectiveness, a view shared by the previous Head of Internal Audit.

7. Legal implications

- 7.1 Under the Accounts and Audit Regulations, the Council must undertake an effective internal audit programme to evaluate the effectiveness of risk management, control and governance processes, considering the GIAS and sector-specific guidance. The Global Internal Audit Standards (GIAS), effective from 1 April 2025, together with the CIPFA Local Government Application Note, require the Chief Audit Executive (Head of Internal Audit) to report annually on the effectiveness of the organisation's governance, control environment and risk management.
- 7.2 This Committee is responsible for receiving and commenting upon the Head of Internal Audit's Annual Report and Opinion, particularly in respect of its impact upon the Annual Governance Statement.

8. Risk Management implications

- 8.1 The implications for risk management are drawn out throughout the report and in section 6 specifically.

9. Environmental implications

- 9.1 There are no direct environmental implications in this report.

10. Equality implications

10.1 Section 149 of the Equality Act 2010 requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation, and any other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected character.