

## Slough Borough Council

<b>Report To:</b>	Audit & Corporate Governance Committee
<b>Date:</b>	30 June 2025
<b>Subject:</b>	Internal Audit Future Operating Model
<b>Chief Officer:</b>	Annabel Scholes – Executive Director Corporate Resources (S151 Officer)
<b>Contact Officer:</b>	Ian Kirby – Interim Head of Internal Audit
<b>Ward(s):</b>	All
<b>Exempt:</b>	NO
<b>Appendices:</b>	Options Appraisal Report.

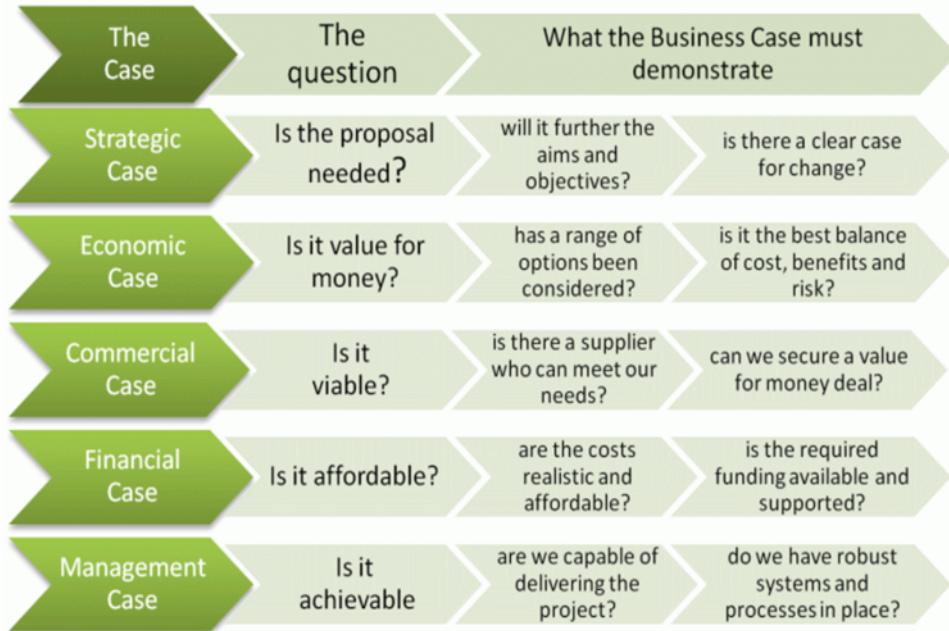
### 1. Summary and Recommendations

- 1.1 The appended report sets out the outputs of the options appraisal to consider the future operating model for Internal Audit within the Council.
- 1.2 A benchmarking exercise, principally using London Boroughs' data, was used to determine what the future Internal Audit team could look like in terms of both full-time equivalent (FTE) numbers and the number of audit plan days.
- 1.3 The 2025/26 Internal Audit Plan for Slough provides for 630 direct days of audit work, with the average auditor allocated 126 days. Based on the benchmarking undertaken, the Slough team requires 1 additional FTE, over current resourcing levels, to be in a position to deliver c.750 audit days. If we include the Head of Internal Audit position and take the current interim-inclusive resource plus an additional FTE, this would equate to 7 FTE which matches the median value between the North West and London cohorts.

Paragraph 4.1 in the attached document provides an overview of how the 7 FTE roles could be utilised.

- 1.4 Having determined an appropriate level of resource, five options were considered for future delivery:
  - Do nothing
  - In-house re-design
  - Outsource
  - Partnership model
  - Shared head of audit

The HM Treasury's 5 Case model was used as a means of evaluating each option and the views of a number of additional stakeholders input into the process. The model, shown in the diagram below, provides a recognised, consistent means of appraising individual options.



1.5 The model is used to assess each option, against each of the five cases, by scoring 1 to 5, with 5 being the most advantageous. It is also possible to apply weightings to individual cases if some elements are more important to the organisation than others. Cohorts of statutory officers and the chair and vice chair of the Audit & Corporate Governance Committee were invited, in addition to the Head of Audit, to assess relative weightings and to score the options from their perspective. The following weightings were agreed:

- Strategic Case (x2 multiplier) – the Group were clear that any future option needed to align with the organisation's goals and ambitions and be integral to its improvement journey.
- Economic Case (x2 Multiplier) – it was agreed that the future options should deliver value for money, a combination of both cost and quality.
- Commercial Case (No Multiplier)
- Financial Case (No Multiplier)
- Management Case (x3 Multiplier) – most important to the Group was the management case, the ability, skills to deliver it as a solution. This includes the ability to procure and/or recruit.

1.6 Following the input of four stakeholders, the overall scores, both unweighted and weighted were collated and are presented for information below.

Unweighted					
	Do Nothing	Redesign	Outsource	Shared Team	Shared Head
<b>Appraiser 1</b>	5	19	11	15	17
<b>Appraiser 2</b>	5	22	5	16	21
<b>Appraiser 3</b>	5	25	10	20	15
<b>Appraiser 4</b>	5	16	16	23	17
<b>Total</b>	<b>20</b>	<b>82</b>	<b>42</b>	<b>74</b>	<b>70</b>
<b>Average</b>	<b>5</b>	<b>20.5</b>	<b>10.5</b>	<b>18.5</b>	<b>17.5</b>

Weighted					
	Do Nothing	Redesign	Outsource	Shared Team	Shared Head
<b>Appraiser 1</b>	9	35	19	27	32
<b>Appraiser 2</b>	9	41	9	28	37
<b>Appraiser 3</b>	9	45	18	36	27
<b>Appraiser 4</b>	9	30	28	42	30
<b>Total</b>	<b>36</b>	<b>151</b>	<b>74</b>	<b>133</b>	<b>126</b>
<b>Average</b>	<b>9</b>	<b>37.75</b>	<b>18.5</b>	<b>33.25</b>	<b>31.5</b>

The highest scoring, and therefore recommended, option was to redesign the in-house function.

1.7 There are risks associated with the ability to recruit in the current market and the Council may need to consider mitigation strategies, such as testing the market on one of the external provision options, as part of its implementation plan.

### Recommendations:

Committee is recommended to:

- Review, comment and endorse the recommended option to redesign the in-house internal audit function as means of delivering an improved, stable and value-adding service to the organisation.
- To support a target go-live, for the revised function, of 2 January 2026
- To recognise the risks associated with the ability to recruit and therefore the need to consider appropriate mitigations as part of implementation
- To receive regular update reports on progress for challenge and comment.

The Council is obligated to have an effective internal audit function. Whilst this does not have to be provided by direct employees, it does need to be embedded into the organisation to undertake its role effectively. The Council previously conducted an options appraisal which recommended the outsourced services was brought in-house, however implementation on that change led to a lack of stability in the service. This new options appraisal confirms that an in-house model remains the preferred model, but greater attention has been given to the risks in delivery and mitigations to manage these risks.

### Commissioner Review

An effective internal audit function is crucial for the Council's success.

Deciding on the appropriate delivery model, defining the target state, determining the level of competency needed, and evaluating the necessary skills are all essential to building or improving the internal audit function.

Delivering a service using internal resources and expertise should follow the same robust expectations for when the service is outsourced. The lessons learnt from the previous implementation and challenges experienced need to be captured and used to ensure the approved delivery model aligns with strategic goals, is deliverable, delivers value and promotes future performance improvements.

Risk mitigation strategies including testing market conditions for recruitment in this functional area, along with the market on shared provision options, any implications the go-live date could have on delivery of the audit plan or Head of Internal Audit annual opinion, needs to be tested early in the process as part of the implementation plan. Further consideration also needs to be given to the funding available or earmarked to support the service redesign beyond 2025/26, including any training required to ensure the capabilities are developed or alternatively can be commissioned.

The implementation plan would benefit from a gateway review early in the process to confirm to the Committee the continuing business justification, supporting evidence that benefits can be realised and risks managed within the Council's risk appetite.

Commissioners are content for this report to be considered.

## **2. Implications of the Recommendation**

### **2.1 Financial implications**

2.1.1 To support the delivery of the Internal Audit Plan 2025/26, the Council has agreed to ringfence a sum of £250,000 from contingencies to provide the resources necessary to deliver the Plan.

Through in-house redesign, although likely to increase staffing expenditure with the addition of one FTE above the current interim supported model, recruiting to a permanent structure across all roles should be more cost-effective and should achieve a significant reduction on current expenditure.

### **2.2 Legal implications**

2.1.1 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". 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". There is no requirement for the service to be delivered directly by the Council and there are examples of shared services and outsourced internal audit services in other local authorities.

### **2.3 Risk management implications**

2.3.1 The key risk with any alternative option to the 'as is' is the organisation's ability to recruit and or secure, through recruitment or procurement, a stable and value adding service. A recruitment/procurement strategy, with appropriate risk identification and mitigation will need to form part of the implementation plan.

The Council's ability to recruit to a new in-house structure is to some extent untested and represents a risk. If the recommended option is taken forward then a risk mitigation strategy should be included as part of any implementation plan. Risk mitigation may include soft market testing on outsourced or partnership models to provide a credible alternative.

#### 2.4 Environmental implications

##### 2.4.1 There are no direct environmental implication related to this decision

#### 2.5 Equality implications

##### 2.5.1 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.

### 3. Background Papers

None