Slough Borough Council

Report To: Audit and Corporate Governance Committee

Date: 10 September 2025

Subject: Internal Audit Progress Report

Chief Officer: Chris Holme – Interim Executive Director
             Finance & Commercial (S151 Officer)

Contact Officer: Ian Kirby, Interim Head of Internal Audit

Ward(s):   All

Exempt: NO

Appendices: **Appendix 1** Audit Reports: IT Application
             Change Management; Adults' Commissioning;
             Compliance with CIPFA Prudential Code.
             Appendix 2 ECCA Fraud Prevention Mitigation
             table.

1. Summary and Recommendations

1.1   This report provides an overview of Internal Audit's delivery of the 2025/26 Internal Audit Plan to the end of 11 August 2025. The report highlights those reviews completed since January, the assurance assessment score awarded to them together with some narrative on key findings.

1.2   The report also provides an update on the service's self-assessment against the Global Internal Audit Standards and the implementation of the in-house redesign model, presented to Committee on 30 June 2025.

1.3   The report also provides an update/overview of the duty to prevent fraud, part of the Economic Crime and Corporate Transparency Act 2023 that went live on 1 September 2025.

Recommendations:

1.4   The majority of this report is for information and forms part of the required, regular reporting arrangements between the Committee and the Head of Internal Audit.

    The Audit and Corporate Governance Committee is recommended to:

- Note the internal audits completed from May to July 2025 together with the body of work that is currently live

- Note the initial self-assessment and associated Quality Assurance Improvement Programme (QAIP)

- Note progress being made to implement the revised delivery model

- Note the requirements to prevent fraud under the Economic Crime and Corporate Transparency Act 2023

- To challenge and/or request further information about any matters raised.

Reasons

1.5   Internal Audit is a critical function in a local authority, helping the Council to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and promoting good corporate governance.

1.6   At its meeting of 30 June 2025, the Committee endorsed a proposal to redesign the in-house Internal Audit team to provide a stable basis for the provision of the service beyond 2025/26.

1.7   The Global Internal Audit Standards (GIAS) became effective from 1 April 2025, together with the CIPFA Local Government Application Note, requiring the Chief Audit Executive (Head of Internal Audit) to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals, and for the plan to receive input from senior management and the audit committee.

1.8   The GIAS also require the Head of Internal Audit to, at least annually, communicate the results of the internal quality assessment to the Committee and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include the internal audit function's conformance with the Standards and achievement of performance objectives.

1.9   Starting 1 September 2025, the UK will enforce a new corporate criminal offence under the Economic Crime and Corporate Transparency Act (ECCTA): failure to prevent fraud. This legislation introduces strict liability for large organisations, which will include most local authorities, if an associated person (e.g. employee, agent, subsidiary) commits fraud intending to benefit the organisation, unless the organisation can prove it had reasonable fraud prevention procedures in place.

Commissioner Review

This report is outside the scope for pre-publication commissioner review; please check the [Commissioners' instruction 5 to CLT to sign off papers](#) for further details.

2. Internal Audit Reports Issued

2.1   The Committee formally approved the 2025/26 Internal Audit Plan on 30 April 2025 and the team has now finalised 10 audits since January including a further 4 since the last progress report at Committee on 30 June 2025. Individual audits are categorised as providing substantial, reasonable, partial, or minimal assurance. In addition, the team also undertakes advisory reviews, these are often rapid in nature and providing higher level feedback to management.

A summary of assurance scores for those audits completed to date is shown below:

Completed Audit Assessments

Substantial	Reasonable	Partial	Minimal	Advisory
0	3	4	1	2
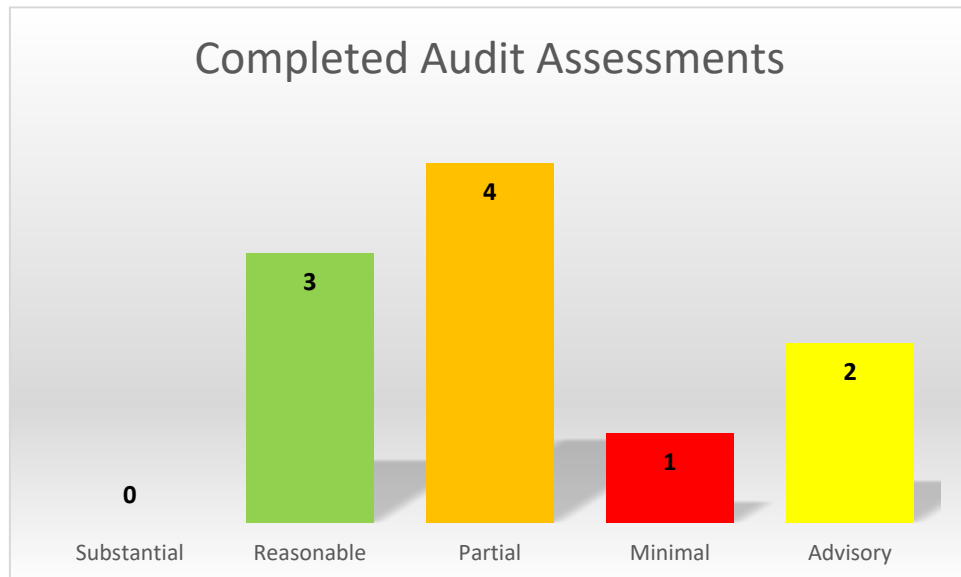
It remains too early to provide a formal analysis/opinion on the profile of audit scores. With 7 additional reviews currently at draft report stage, and assuming these are finalised in the next few weeks, it is anticipated that a more valid sample of final audits can be analysed for the mid-year review at the Audit & Corporate Governance Committee in November.

In delivering those audits, the team has issued a total of 59 recommendations, each prioritised as high, medium or low and summarised below:

Recommendations H/M/L

High	Medium	Low
20	25	14
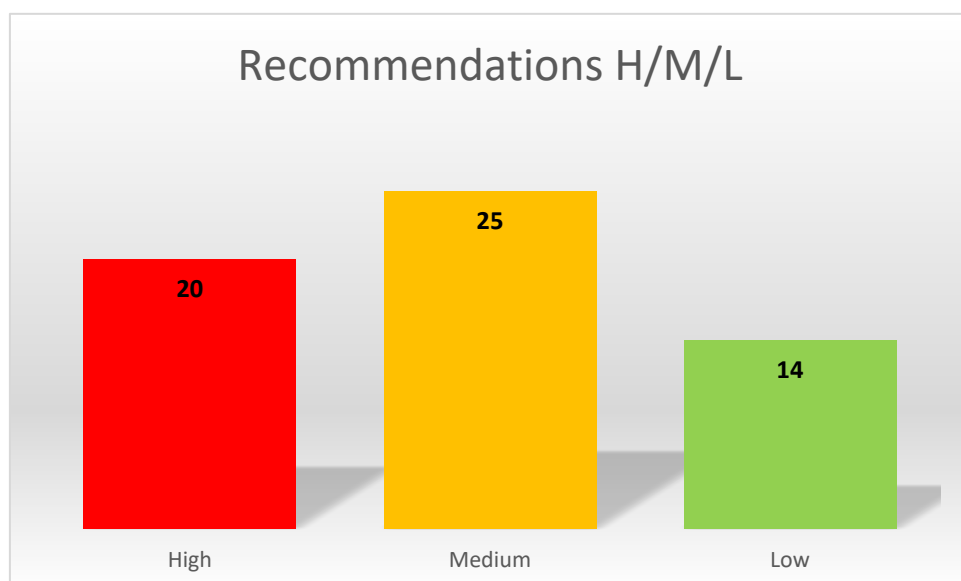
Again, it is probably too early to draw conclusions from the pattern of recommendations. However, as audits have been selected on the basis of risk and the corporate risk register in particular, it is perhaps not a surprise that the majority of recommendations are either high or medium.

2.2   Summaries of the findings for the four audits completed since 30 June are set out as follows:

2.2.1   **Our Lady of Peace   (Schools Audit)**

This audit was originally issued as a draft report in January and provided reasonable assurance that governance and control are working effectively. A small number of recommendations were included, 1 high and 3 medium priority. This high recommendation related to the schools' financial forecast, which was showing an on-going deficit.

As with all schools' reasonable assurance audits the full report is a matter for school and its governors and has not been included within this report.

2.2.2   **IT Application Change Management – Partial Assurance**

This audit focused on assessing the effectiveness of governance, control, and oversight over changes to IT applications used by the Council, excluding applications that are externally hosted and fully managed by third-party vendors. In 2024, there were 25 application-related change requests recorded.

The audit identified significant weaknesses in key areas of the IT Application change management process, including:

- The absence of a formal policy and procedure, resulting in inconsistent practices and unclear responsibilities.

- Inadequate approval controls, with several changes lacking proper pre- and post-implementation sign-offs from business units or application owners.

- A lack of formal documentation and evidence for testing, raising concerns over the quality and reliability of deployed changes.

- Incomplete audit trails in the Astro system, with critical data such as testing results and approvals not consistently recorded.

These weaknesses potentially expose the Council to operational, compliance, and reputational risks, including the potential for unauthorised changes, disruptions to critical applications, and difficulty in tracing accountability.

The Digital, Data and Technology ("DDaT") team has acknowledged the findings and committed to implementing corrective actions within defined timeframes. Internal Audit will follow up on the implementation of these actions as part of its ongoing assurance activities.

The full report is attached.

2.2.3   **Adult Social Care Commissioning – Partial Assurance**

This audit focused on the management of commissioning activities within SBC, highlighting key risks, the strategies implemented for their mitigation, and notable improvements achieved over the past year. Furthermore, it shows residual risks and proposes management actions designed to further strengthen the commissioning process, thereby ensuring transparency and accountability to the residents of Slough. This is particularly pertinent given prevailing national pressures, including an ageing population, increasing demand and service user

acuity, funding constraints, workforce shortages, and the imperative for integrated care.

The audit identified a number of areas of positive practice and key, identified strengths included:

- Strong Strategic Alignment

- A coherent Strategic Framework

- Prevention-Focused and Co-Produced Strategies

- An integrated and Partnership-Driven Approach

- Accountable Governance.

- Service User Involvement

- Proactive Adaptation to Regulatory Change

- Focus on Early Intervention and Technology Enabled Care

- Strengthened Oversight

- Robust Fee Uplift Process

The review did also identify some areas for improvement/enhancement and these included:

- Enhancing Financial Reporting

- Developing Performance Dashboards

- Streamlining Contract Management

- Ensuring Contract Enforceability

Management actions have been agreed, the full report is attached.

2.2.4 Compliance with the Prudential Code – Advisory

The objective of the advisory review is to provide high-level assurance that the Council has put in place appropriate arrangements to comply with the CIPFA Prudential Code and to highlight what if anything has been missed.

Results of the high-level assurance review has found:

Full compliance with the code in respect of the following:

- Responsibility for decision-making and ongoing monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, remains with full council in line with the Prudential Code.

- The Cabinet has fulfilled its responsibilities in respect of recommending borrowing limits, Prudential Indicators and Treasury Management Strategy to the Council within the prescribed timeframe.

- The Audit and Corporate Governance Committee fulfilled its responsibilities under the Constitution in respect of scrutinising the Draft Treasury Management Strategy and Treasury Management Assurance Report and Mid-Year Review prior to referral to Full Council.

- The Capital Strategy forms part of the authority's integrated revenue, capital, and balance sheet planning.

- Prudential Code indicators are set before the beginning of the forthcoming year and the setting of capital expenditure estimates, operational boundary and authorised limit follow the same route as the setting and revising of the budget of the Council.

- Prudential Code Indicator disclosure requirements have been met in respect of the following indicators: estimates of total capital expenditure; estimates of capital financing requirement; actual capital financing requirement as at 31 March 2025; authorised limit for external debt; operational boundary for external debt; actual external debt as at 31 March 2025; and gross debt and the capital financing requirement.

- Prudential Code disclosure requirements in respect of knowledge and skills available to the Council have been met.

Partial compliance with the code has been made in respect in respect of the following:

- The Audit and Corporate Governance Committee received the Treasury Management Outturn Report 2023-24; however, at the time of the audit the report had not been referred to the Full Council in accordance with the Constitution.

- Prudential Code Indicator disclosure requirements have been partially met in respect of the following indicator: proportion of financing costs to net revenue stream to be extended to include budget figures for year 3 (2027-28).

- The Council has a process in place to monitor and report performance against all forward-looking indicators at least quarterly, however, delays occurred in the quarterly reporting of indicators to the Audit and Corporate Governance Committee, where the Q1 2024-25 Treasury Management Report was considered by the Committee on 30 September 2024 and the Q3 report was expected to be considered by the Committee in April 2025.

Non-compliance with the code have been found in relation to the following:

- A small number of Prudential Code Indicators have not been disclosed including actual capital expenditure and actual financing costs.

On balance, the findings demonstrate an effective governance framework is in place and no key risks have been identified which would support the conclusion that a further review is required as part of 2025/26 Internal Audit Plan delivery.

The full report is attached.

3. Internal Audits in Progress

3.1   The key source of assurance for the Head of Internal Audit's annual opinion remains the delivery of the Internal Audit and the level of audit coverage that can be achieved in the year. As at 11 August, and in addition to the 10 completed audits, there are a further 20 audits in progress, 7 of which are at draft report stage. The is a positive level of coverage and activity well in advance of quarter 2 end on 30 September. The breakdown of current audits' status is as follows:
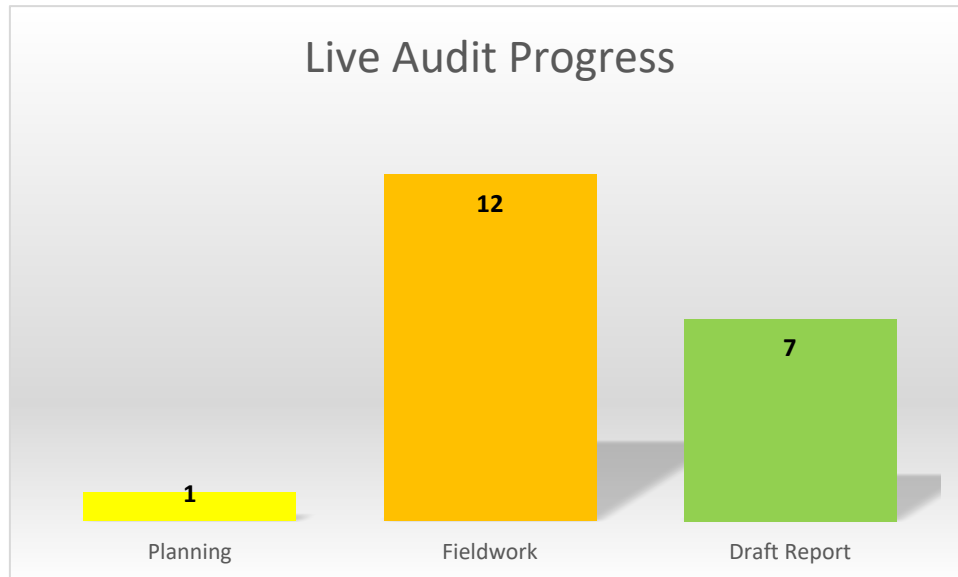
The team is working closely with Assurance Corporate Leadership Team to close the draft reports as quickly and appropriately as possible.

Accepting that an allocation of time was included in the 2025/26 Plan for carry-forward from the previous year, 17 completed audits (10 final plus 7 draft) would be 39% plan delivery prior to the end of quarter.

3.2   A full list of live audits is shown, for information, in the table below:

• Bank Reconciliations*	• Direct Debits (Externally Commissioned)*
• Emergency Planning/ Business Continuity	• Cyber Crime
• Customer Journey & Engagement	• Finance Improvement Plan*
• HR – Managing Sickness Absence*	• Accounts Receivable/ Accounts Payable
• Asset Management & Disposals*	• Treasury Management
• Financial Controls	• Adults Social Care – Mental Health
• Compliance with CIPFA FM Code	• Adults Social Care – National Minimum Wage Compliance
• Debt Recovery & Write-off	
• Health & Safety – Accidents, Incidents & Near Misses*	• Financial Control – Procurement & Payments*
• Leisure Services Contract	• HR – Starters & Leavers

	Housing Allocations (Externally Commissioned)

indicates audit at draft report stage

4. Global Internal Standards Self-Assessment

4.1   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 has been determined through an internal self-assessment. The template to complete the self-assessment was, in the absence of a national template, prepared internally and was completed by the end of June as agreed with this Committee in February. The Standards comprise 54 separate elements under 15 key areas within 5 domains. The self-assessment can be summarised as follows:

			Conforms	Partially Conforms	Does Not Conform
Domain I	**Purpose of Internal Auditing**		1		
Domain II	**Ethics & Professionalism**				
	1	Demonstrate Integrity			
	2	Maintain Objectivity			
	3	Demonstrate Competency	1	10	2
	4	Exercise Due Professional Care			
	5	Maintain Confidentiality			
Domain III	**Governing the Internal Audit Function**				
	6	Authorised by the Board			
	7	Positioned Independently	5	2	2
	8	Overseen by the Board			
Domain IV	**Managing the Internal Audit Function**				
	9	Plan Strategically			
	10	Manage Resources	4	11	2
	11	Communicate Effectively			
	12	Enhance Quality			
Domain V	**Performing Internal Audit Services**				
	13	Plan Engagements Effectively			
	14	Conduct Engagement Work	9	5	0
	15	Communicate Engagement Results			
			20	28	6
			37%	52%	11%

The assessment shows an overall (self-assessed) level of partial conformance, with 20 elements fully conforming, 28 partially and 6 of non-conformance. The six areas of non-conformance are:

- Having a programme of demonstrable competency for auditors, aside from the Audit Manual

- The ability to demonstrate that auditors have undertaken and evidenced continuing professional development (CPD)

- Having in place a Quality Assurance & Improvement Programme (QAIP)

- The undertaking of an external quality assessment (EQA) once every five years

- Having in place a process for declaring error and omission after an audit has been closed and reported

- Having in place a process for communicating unacceptable risk when this is identified through audit activity.

The self-assessment has doubled as a gap analysis and from this a QAIP has been developed. The QAIP contains 21 actions for Internal Audit to address in pursuit of full conformance. An EQA, as previously agreed, will be commissioned to take place in quarter 3 – this will validate the self-assessment in accordance with the requirements of the Standards. Clearly the development of the QAIP and the subsequent EQA will address two of the six areas of non-conformance and with the other four feature as actions within the programme.

Progress against the QAIP will form part of the regular reporting to management and this Committee.

5. In-house Redesign Progress

5.1   At its meeting of 30 June, the Committee endorsed a proposal to redesign the inhouse Internal Audit function to deliver a more stable, permanent structure moving forward. Work on this is progressing with a revised job description and person specification now subject to the job evaluation process, ensuring that the role is both affordable and attractive to the market. It is anticipated that the role will be advertised late August/ early September.

5.2   Members and senior managers have expressed concern regarding the associated risk of recruitment in the current market. In order to mitigate the risk of failed recruitment impacting the stability of the team, the two interim auditors have been extended to the end of the calendar year (initially) and the interim Head of Audit has agreed to extend their own role (3.5 days/per week) to the end of the same period, with the specific remit of leading the redesign. There is also provision to extend the current Head of Audit into 2026, hopefully supporting a new Head of Service, but essentially delivering the 2026/27 Plan and the 2025/26 Head of Internal Audit Annual Report and Opinion – continuity being the key here.

6. Economic Crime and Corporate Transparency Act 2023: the offence of failure to prevent fraud

6.1   Starting 1 September 2025, the UK enforced a new corporate criminal offence under the Economic Crime and Corporate Transparency Act (ECCTA): failure to prevent fraud. This legislation introduced new strict liability offence of failing to prevent fraud for large organisations, which includes most local authorities, if an associated person (e.g. employee, agent, subsidiary) commits fraud intending to benefit the organisation or any person who the associate provides services to on behalf of the organisation. The offence does not apply if the organisation was, or was intended to be the victim of the fraud. There is a statutory defence if it can be shown that the organisation had in place reasonable fraud prevention procedures in place. Schedule 13 sets out the list of base offences that the associated person must have committed and include common law and

statutory fraud offences, including cheating the public revenue, Theft Act offences of false accounting, fraudulent trading under the Companies Act and Fraud Act offences.

6.2   The offence holds organisations to account for fraud committed by their employees, agents, subsidiaries or other "associated persons" who provide services for or on behalf of the organisation, where the fraud was committed with the intention of benefiting the organisation or their clients.

6.3   It is a matter for the courts to determine what are reasonable fraud prevention procedures and this will be fact specific, however Home Office guidance has indicated six principles that should inform any fraud prevention framework.
1. Top-Level Commitment
2. Risk Assessment
3. Proportionate Procedures
4. Due Diligence
5. Communication & Training
6. Monitoring & Review
A table of current evidence sources and possible mitigations is included at Appendix 2.

6.4   Quarterly fraud reporting to this Committee will provide updates on the six mitigation areas, with any gaps and action plans identified.

6.5   Full guidance from the Home Office is available at: https://assets.publishing.service.gov.uk/media/67f8ef1845705eb1a1513f35/Failure+to+Prevent+Fraud+Guidance+-+English+Language+v1.6.pdf

7. Implications of the Recommendation

7.1   Financial implications

7.1.1   There are no direct financial implications as budget, including the agreed contingency draw down to support the 2025/25 Plan, have been approved.

7.2   Legal implications

7.2.1   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 regularly on Plan delivery progress.

7.2.2   As set out in section 5, the Economic Crime and Corporate Transparency Act (ECCTA): failure to prevent fraud came into force on 1 September 2025. The Council is expected to have effective internal controls to reduce the risk of fraud

both against itself and against third parties. The new offence creates criminal liability to the Council in certain circumstances when fraud is committed which is intended to benefit the Council or a person provided a service on behalf of the Council.

7.3   **Risk management implications**

7.3.1   An effective Internal Audit function and risk-based Plan delivery contributes positively to mitigating the organisational risks of poor governance, internal control, and risk management. Assurance or mitigation, provided by Internal Audit, 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.

7.4   **Environmental implications**

7.4.1   There are no direct environmental implications in this report.

7.5   **Equality implications**

7.5.1   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.

7.5.2   Certain protected characteristic groups may be more vulnerable to fraud and therefore the Council should assess the equality impact of fraud prevention and internal audit activity to ensure compliance with the Equality Act. For instance those in receipt of care packages via direct payments may be more at risk of fraud by carers and those in receipt of welfare support may be more likely to have certain protected characteristics.

Appendix 1 – Completed Audit Reports (see section 2)

Appendix 2 – Legislative Areas of Defence with potential Slough areas of focus/activty

Key Mitigation/Defence	What this might look like for Slough BC?
1. Top-Level Commitment • Senior leadership must endorse and communicate anti-fraud policies. • Governance bodies should oversee fraud prevention efforts.	• Clear statement/ commitment to zero tolerance policy (as per fraud strategy • Regular oversight and reporting of fraud prevention and investigation – quarterly/ annual fraud reports • Commitment to embedding training, resourcing, ensuring an open/transparent speak up culture and fostering an open culture on ethical concerns
2. Risk Assessment • Identify and document fraud risks across departments. • Evaluate risk factors: opportunity, motivation, and rationalisation.	• Needs to be built into and feature explicitly as part of regular risk management capture and reporting • Strong internal controls, including systems, oversight • Realistic objective setting and promoting positive fraud awareness

3. Proportionate Procedures
• Tailor controls to your risk profile.
 	
• Examples: dual authorisation, whistleblowing channels, audit trails.
	• Clear capture of risk, existing control, mitigating action and a review/ monitoring of the effectiveness of those controls
	• An evidential base for the presence and effectiveness of controls – evidence will include:
	   o Policies and procedures
	   o Performance Management
	   o Financial Reporting
	   o Internal Audit Plan delivery and follow up
	   o Risk Dashboards
	   o Project/ Programme Governance
	   o Clear, timely and effective response if control failures are identified
	   o Utilising services and learning from wider public sector anti-fraud bodies such as NAFN

4. Due Diligence • Vet employees, agents, and contractors. • Maintain records of checks and rationale for risk-based decisions.	• Starters, leavers process/ procedure and evidence • Supplier/ contractor on-boarding – including through procurement and ensuring that they have effective anti-fraud processes in place • Records management, officer decision-making, effective handover

Key Mitigation/Defence	What this might look like for Slough BC?
5. Communication & Training • Regular, mandatory training for staff. • Clear internal and external communication of fraud policies.	• Fraud awareness training as part of mandatory induction process with a commitment to more regular, annual awareness training on fraud, whistleblowing and grievance processes • Published fraud policies, with a commitment to regular review, revision and further publication
6. Monitoring & Review • Periodic review of procedures. • Log incidents and feed learnings back into risk assessments.	• Controls updates following identification/ investigation of fraud or suspected fraud and/or the identification of controls failures that may lead to fraud • Referral process • Feedback/ lessons learned