Slough Borough Council

Report To:	Audit and Corporate Governance Committee
Date:	12 November 2025
Subject:	Internal Audit Mid-Year Progress Report
Chief Officer:	Ian O'Donnell – Executive Director Corporate Resources (S151)
Contact Officer:	Ian Kirby, Interim Head of Internal Audit
Ward(s):	All
Exempt:	No
Appendices:	**Appendix 1:** Managing Sickness Absence **Appendix 2:** Bank Reconciliations **Appendix 3:** Direct Debits **Appendix 4:** Financial Control – Procurement & Payments

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 the mid-year at 30 September 2025. The report highlights those reviews completed, the assurance assessment scores 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.

Recommendations:

1.3   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 throughout the year and the specific findings from those audits finalised since the last Committee meeting on 10 September.

- To acknowledge the progress being made to secure an external reviewer to validate the self-assessment against the Global Internal Audit Standards (GIAS)

- To acknowledge the progress being made to implement the revised delivery model

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

Reasons

1.4   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.

1.5   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.

1.6   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, as they were at the meeting on 30 June. The results of the external quality assessment must be reported when completed. Members will recall that the service committed to undertaking an external assessment in quarter 3 of 2025/26.

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 15 audits since January and a further 5 since the last progress report at Committee on 10 September 2025. Individual audits are categorised as providing substantial, reasonable, partial and 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 all audits completed to date is shown below:

2025/26

IA Review Area	Current Status as at End of September	Final Report Issued	Assurance Level	Management Actions		
				H	M	L
Corporate Controls	Final Report Issued	30/04/2025	Advisory Report	5		1
Contract Management	Final Report Issued	25/03/2025	Partial Assurance	5	5	0
SEND complaints	Final Report Issued	25/03/2025	Partial Assurance	3	5	1
Schools - Baylis Court Nursery	Final Report Issued	29/01/2025	Reasonable Assurance		8	
Bank Reconciliations	Final Report Issued	03/09/2025	Minimal Assurance	2	8	
Our Lady of Peace Catholic School	Final Report Issued	27/05/2025	Reasonable Assurance	1	3	
Temporary Accommodation	Final Report Issued	27/03/2025	Advisory Report			
Schools - Priory Follow-Up	Final Report Issued	13/03/2025	Reasonable Assurance		1	8
IT Application Change Management	Final Report Issued	28/05/2025	Partial Assurance	3	1	
Managing Sickness Absence	Final Report Issued	03/09/2025	Partial Assurance	1	5	3
Adults Services - Commissioning	Final Report Issued	27/05/2025	Partial Assurance	3	2	4
Compliance with the Prudential Code	Final Report Issued	02/09/2025	Advisory Report			
Cyber Crime	Final Report Issued	02/09/2025	Partial Assurance	5	1	0
Direct Debits (Externally Commissioned)	Final Report Issued	02/09/2025	Advisory Report		5	
Financial Control - Procurement & Payments	Final Report Issued	02/10/2025	Advisory Report		5	
				28	**49**	**17**

The diagram below shows the spread of assurance scores awarded to completed audits. The majority of audits have been awarded a score of partial assurance, this is not a surprise and reflects the risk-based nature of the Plan and the need for the Council to improve its overall control environment.

Completed Audit Assessments

Substantial	Reasonable	Partial	Minimal	Advisory
0	3	6	1	5
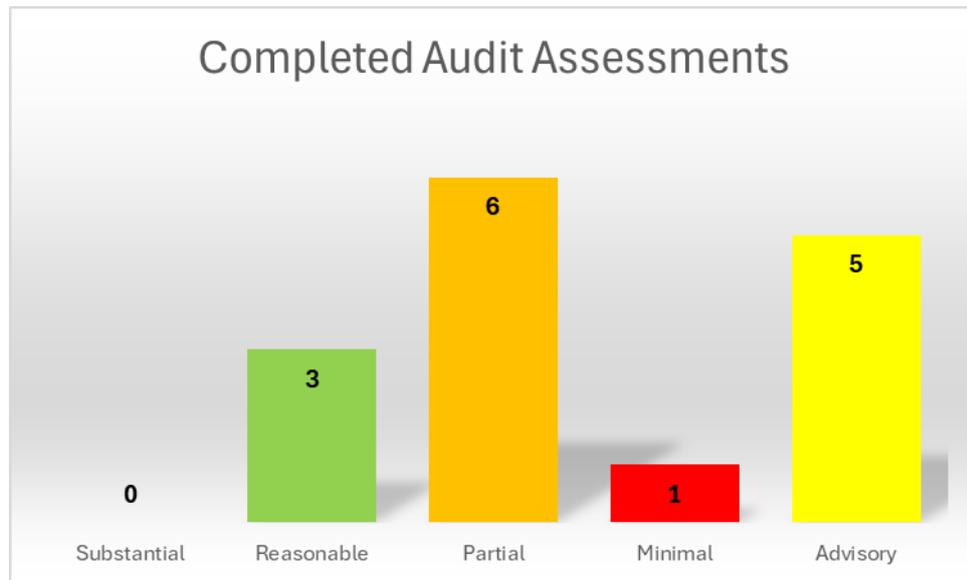
In delivering those audits, the team has issued a total of 94 recommendations, each prioritised as high, medium or low and summarised below:

Recommendations H/M/L

High	Medium	Low
28	49	17
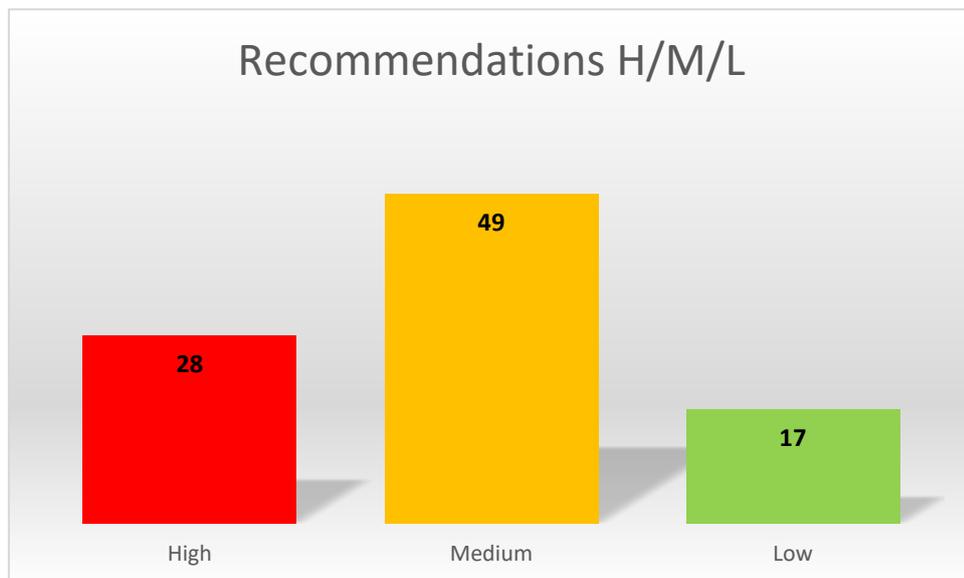
Again, as audits have been selected on the basis of risk and the corporate risk register in particular, it is perhaps not a surprise that the majority of recommendations are in the high or medium category.

2.2   Summaries of the findings for the audits completed since 10 September are set out as follows:

2.2.1   **Cyber Crime – Partial Assurance**

Please note we will not be attaching the full report or providing specific details from this audit as details of the Authority's protective mechanisms, whether

strengths or weaknesses, could be of value to an attacker and hence place the authority at an enhanced level of risk.

This audit was commissioned in response to Slough Borough Council's elevated cyber risk which remains critical due to the Council's, as with many other organisations, continued exposure to cyber threats. The review focused on the effectiveness of the Council's arrangements for identifying and remediating cyber vulnerabilities.

The review identified a number of opportunities to enhance controls related to cyber threat and the Digital Data and Technology (DDaT) service has acknowledged these enhancements and committed to corrective actions with appropriate timelines. Internal Audit will follow up on their implementation in future assurance activities.

2.2.2 **Managing Sickness Absence – Partial Assurance**

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure directorates' adherence to the Council's Managing Sickness Absence Policy and supporting guidance.

The review identified a number of positives including:

- The Council has developed a policy and procedural framework to support the health and well-being of staff and to deliver high quality services through effective management of sickness absence. This policy includes:

  o The requirement to hold a return to work (RTW) meeting on the first day a member of staff return to work

  o The formal recording of absences and RTW meetings in Agresso

  o Where a sickness absence trigger has been activated in respect of a member of staff, the employee is invited to attend a First Formal Interview under Stage One of the Council's policy in order that the manager is able to review the absence in detail and to gain a better understanding of the employee's support requirements.

Audit findings have identified the following areas of non-compliance that if addressed would strengthen the overall control framework and support the effective management of sickness absence:
- Instances of sickness absence were not recorded in Agresso on a timely basis.
- RTW meetings are not recorded on Agresso in all cases of sickness absence.
- Fit notes are not always uploaded on to Agresso
- A lack of awareness amongst Line Managers on each of the sickness absence triggers set out in the Council's policy.
- Line Managers not automatically notified when sickness absence triggers relating to three absences within six months and absences for more than 28 days have been activated.

- Decisions by Line Managers to invite employees to Stage One formal absence meetings are not being made on a consistent basis.

Based on the control weaknesses identified an audit opinion of partial assurance has been determined. The HR service has responded positively to the 9 recommendations, and a plan is in place to implement them within the current financial year.

2.2.3 Bank Reconciliations – Minimal Assurance

Bank Reconciliation is the process of comparing bank accounts with financial records to ensure that they match. This is important for a number of reasons, including:

- Identifying errors

- Detecting fraud

- Managing cashflow

- Preparing accurate financial statements and

- Maintaining accurate records.

The review acknowledged recent improvements linked to the work of the Counter-Fraud team. These included the cancellation of all direct debits within the Council's income account together with an instruction to the bank to block future direct debit instructions. The review also acknowledged the successful recovery of around £40,000 of fraudulent debits from the bank under the direct debit guarantee.

A total of 10 recommendations were made and agreed by management covering the following areas:

- Clarity over roles and responsibilities within and across the process

- Improving coordination and communication between the Treasury and Reconciliation teams

- Formalising the policies and processes linked to reconciliation

- Addressing the high turnover of staff and associated loss of knowledge and experience

- Regular resolving of unreconciled suspense items

- Developing a training programme on income accounts.

2.2.4 Direct Debits – Advisory

Linked to the Bank Reconciliations review, and in particular the establishment of direct debits from the Council's income account, this review was commissioned, externally, by the former Executive Director of Corporate Resources. Although the review centred upon Housing rental and leasehold Direct Debit (DD) income

collection, the review also considered the wider impacts for other income collection across the Council.

The review identified 10 key recommendations, split 1-5 for Housing-related income and 6-10 wider Council-related income.

1. Ensuring there are clearly documented Direct Debit (DD) processes that are the basis for staff induction and refresher training

2. Implementing system and process improvements for Payer Verification

3. Reviewing the roles and responsibilities for Housing income collection and the NEC System and designing and implementing a service focused on delivering the end-to-end process.

4. Implementing improvements in reporting and monitoring to inform effective Housing income collection governance meetings.

5. Investigating opportunities to improve manual DD processes to increase staff efficiency, accuracy of data and availability of information.

6. Conducting a review of direct debit arrangements of other Council services in order to develop recommendations for improvement.

7. Conducting a review of current direct debit practice compared with the BACS Paperless Direct Debit Service User rules and the criteria agreed with the Sponsoring Payment Service Provider (PSP) for Paperless Direct Debit.

8. Treasury and Reconciliation to engage with Lloyds to fully understand how direct debit adjustments and unpaid debits are itemised (credit and debit) within the bank account statement to ensure reconciliation is accurate.

9. Conducting a review of the other Council bank accounts to ensure any Direct Debit payments leaving the account have been reconciled.

10. Conducting a review of the Manual Payments process in order to develop recommendations for improvement.

The recommendations have been agreed and actions planned by management. Internal Audit will formally follow up these recommendations.

2.2.5 Financial Control - Procurement & Payments – Advisory

This advisory review was requested by the former Executive Director for Corporate Resources and its purpose was to provide assurance that the system for processing and approving payments, covering transactions from April 2024 to June 2025, was well-designed and operating effectively and efficiently. The review is linked to the identification of issues around the prevalence of retrospective and missing purchase orders previously reported to Committee.

The review acknowledged a number of key initiatives that demonstrated management's commitment to addressing historical weaknesses including:

- The development of a comprehensive finance improvement programme, containing 34 distinct projects

- The introduction of new, value-based approval hierarchy

- The introduction of auto-approval functionality, within financial delegation, for lower level spend

- The introduction of a no PO no Pay policy

- Role-based rather than generalised access-levels

- Single sign-on functionality and improved controls around access

- Finance system ticketing, via Astro, to improve updating/managing change within Unit4 (Agresso).

However, the review identified 5 recommendations to enhance related controls and these were:

1. Enforce the no PO no Pay policy

2. Formalise control processes and formalise these within the finance contract procedure rules

3. Promote formal substitution process to ensure appropriate continuity in the event of an approvers' absence

4. Remove in a timely manner non and former employees access rights

5. Remove/rationalise multiple access accounts

All recommendation have been agreed and a plan, with key accountabilities, is in place and being actioned.

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 plan and the level of audit coverage that can be achieved in the year. As at 30 September, and in addition to the 15 completed audits, there are a further 25 audits in progress, 4 of which are at draft report stage. This is a positive level of coverage and activity. There is a spike in those audits currently at the planning stage, this is largely the result of the selection and commencement of our schools' audit programme for 2025/26. The eight schools selected have not been audited for five years or more. The breakdown of current audits is as follows:

Live Audit Progress

	Planning	Fieldwork	Draft Report
Value	11	10	4
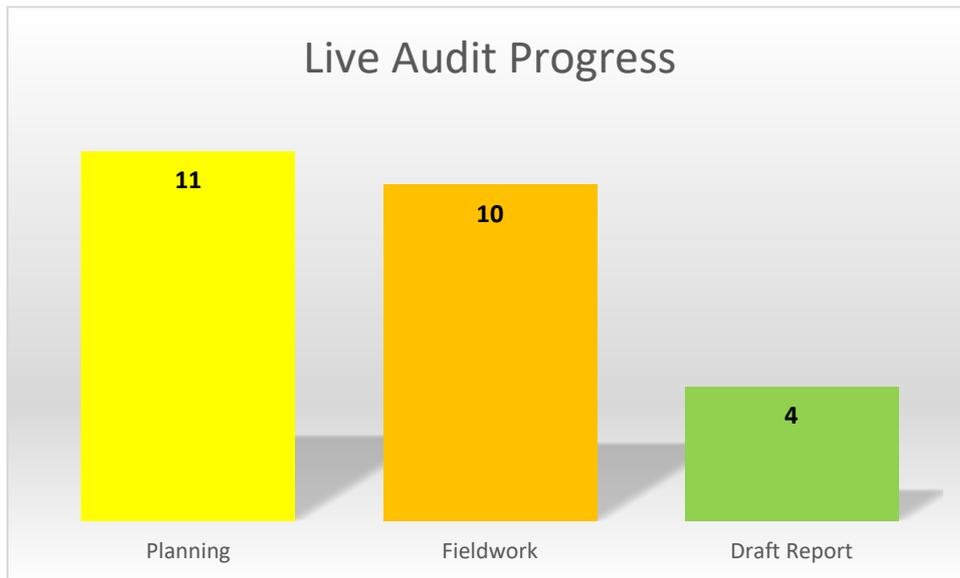
The team is working closely with Assurance Corporate Leadership Team to close the draft reports as quickly and appropriately as possible.

Accepting that an allocation of time was included in the 2025/26 Plan for carry-forward from the previous year, 19 completed audits (15 final plus 4 draft) would be around 45% plan delivery prior to the mid year.

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

• Emergency Planning & Business Continuity	• ASC – Mental Health
• Customer Journey and Engagement	• ASC – Compliance with National Minimum Wage
• Asset Management & Disposals*	
• Compliance with the CIPFA FM Code	• HR – Starters & Leavers
• Debt Recovery and Write-off	• Housing Allocations – (Externally Commissioned)
• Health and Safety: Accidents, Incidents & Near Misses*	• Council Tax Discounts
• Leisure Services Contract*	• Housing Benefits
• Finance improvement Plan*	• Grants Administration
• Accounts Receivable & Accounts Payable	• Schools' Audit Programme 2025/26
• Treasury Management	

*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, as reported at the 10 September meeting, was completed in June. An External Quality Assessment (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. A specification for the EQA has been developed and invitation to quote for the delivery of this work in December has been issued.

4.2 The service is on track to complete an EQA in quarter 3, with the results being formally reported to this Committee early in the new year.

5. Implications of the Recommendation

5.1 Financial implications

6.1.1 There are no direct financial implications of the recommendations. Resources, including the agreed contingency draw down to support the 2025/25 Plan, have been approved for the current year.

5.2 Legal implications

5.2.1 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.

5.3 Risk management implications

5.3.1 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.

5.4 Environmental implications

5.4.1 There are no direct environmental implications in this report.

5.5   Equality implications

5.5.1   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.