Internal Audit Advisory Report –

Financial Controls over procurement and payments

Internal Audit Report

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Status of Financial Controls Over Procurements & Payments

1. Executive Summary

Internal Audit is satisfied with the proactive steps taken by management in recent months to enhance the financial control environment over procurement and payments at Slough Borough Council (SBC). The implementation of a revised approval hierarchy and workflows, a "no PO, no pay" policy, and new monitoring tools are positive developments that demonstrate a strong commitment to strengthening financial governance.

However, key weaknesses persist, such as the following:

a) Prevalence of retrospective Purchase Orders

b) Inconsistent Substitution Processes: Substitution processes for approvers are not followed in a consistent manner.

c) There is a lack of proper control documentation, including formal documents for roles and responsibilities, cost centre hierarchies, and a general delegation of authority. While new rules have been issued via email to all budget holders, they have not yet been formally added to the financial procedure rules.

d) Excessive number of cost centres: The current finance system has more than 700 cost centres.

Management has acknowledged these issues and is in the process of implementing further improvements. We believe these planned actions, once fully embedded, will significantly enhance the control environment and mitigate the identified risks.

2. Introduction

This Internal Audit report presents a summary of the findings from a review of the financial controls governing the procurement and payments system at Slough Borough Council (SBC). The review, which covers transactions from April 2024 to June 2025, was requested by Annabel Scholes, the Executive Director for Corporate Resources. Its purpose is to provide assurance that the system for processing and approving payments is well-designed and operating effectively and efficiently.

Effective internal controls over procurement and payments are of paramount importance for any public sector body, including Slough Borough Council. Such controls are not merely

administrative procedures; they are the foundation of **responsible financial stewardship** and **public accountability**. They are essential for ensuring that public funds are utilised economically, transparently, and for their intended purposes.

The implementation and adherence to these controls are critical for preventing fraud, waste, and error, and for ensuring the Council's compliance with its statutory obligations and relevant legislation, such as the **Procurement Act 2023**. A robust control environment provides assurance to the public, elected members, and senior management that the Council is acting with integrity and delivering optimal value for money. Without a strong control framework, the Council faces risks of financial loss, reputational damage, and a decline in public trust.

3. Major Developments and Improvements in Internal Controls

Slough Borough Council has made significant progress in strengthening its financial controls over procurements and payments. Several key initiatives and actions are underway, which demonstrate a commitment from senior management to rectify historical weaknesses.

a) **Financial Improvement Programme (FIP):** The Council is actively implementing a Finance Improvement Programme, which consisted of thirty-seven projects (at the time of commencing this review) aimed at enhancing the internal control environment. This Programme signals a proactive approach to addressing identified issues. There are now 34 projects.

b) **Revised Approval Hierarchy:** A new, value-based approval hierarchy and workflows were implemented in May 2025, with five distinct approval limits. The system now routes approvals based on transaction value, ensuring that senior personnel approve higher-value transactions. These new limits align with procurement act thresholds and the Council's own Contract Procedure Rules. The hierarchy begins with the cost centre owner and escalates based on the value of the order. Internal Audit was able to test this control and confirmed that it is working as designed.

c) **Auto-Approval Functionality:** The Unit4 ERP (formerly known as Agresso) system has been configured to "auto-approve" transactions at lower levels once a senior officer with sufficient authority has approved them. This change streamlines the process, reduces redundant approvals, and addresses previous confusion where approvers had to approve the same transaction multiple times. The workflow shows "auto approve" in the system.

Internal Audit confirms that this is a process enhancement as it reduces duplication of effort.

d) **Retrospective Purchase Orders and the "No PO, No Pay" Policy:** The Accounts Payable team has introduced a "no PO, no pay" policy to enforce the mandatory requirement of having a purchase order (PO) before a financial commitment is made to a supplier. This policy is a critical control designed to ensure transactions are properly authorised before they are incurred.

Despite this policy, Internal Audit's review indicates that the control has not been effective throughout the year. Our sample testing revealed the following anomalies:

- Fifteen (15) transactions selected for testing covering the periods: Aug 2024, Oct 2024, Feb 2025, Apr 2025, and May 2025. Internal Audit identified that more than 53% (i.e. 8/15) of the sampled POs were dated after the supplier's invoice date, indicating the possibility that some commitments were bypassing the formal PO system (possibly via email or verbally).

- There were 380 instances where the Goods Received Notes (GRN) were dated before the corresponding PO, confirming that goods and services are being procured without a pre-existing PO. (This represents an error rate of 3% because the total population of purchase orders issued by SBC during the 2024/25 fiscal year was 12,648). It is noted that all these errors are dated at or about April 2024 which is before the control improvements had been implemented.

This finding is corroborated by a good practice implemented by the Finance Department's Systems Unit. They have developed a centralised PO Compliance Monitoring system, which produces a monthly dashboard for the Directorate Leadership Teams (DLTs). This dashboard tracks retrospective POs, providing management with the data necessary to address non-compliance and foster accountability.

The management report confirms a significant control weakness, indicating that retrospective POs constituted an average of 45% of transactions over the last year, with a similar trend continuing into the current fiscal year. While this figure differs slightly from our audit sample (53%), both sources confirm a substantial lack of control over the PO system. Internal Audit anticipates a reduction in this weakness during the 2025/26 fiscal year due to management's heightened focus on this issue.

e) **Transition to Role-Based Access:** Internal Audit has noted that a project with an end date of 30 September 2025 was underway to implement roles and responsibilities to ensure Segregation of Duties (SoD) is correct and thereby reduce the number of roles. These will then be allocated to users based on their role group but still at Resource ID.

f) The next stage will be to move from Resource IDs to roles. All the workflows etc. will be amended by the finance improvement team as part of the wider project and this will make it easier to assign roles as additional/new users are enrolled onto the system. The date for conclusion of this phase is yet to be confirmed by the finance improvement project leadership.

g) **Single Sign-On and IT Access Controls:** As from July 2025, the Council implemented single sign-on for the web-based version of the finance system, which improves access controls. The process for removing IT access upon an employee's departure has also been improved, which should prevent former employees from accessing the system.

   Internal Audit Testing revealed that several Unit4 ERP (Agresso) users who have multiple user access numbers/rights. (See *Appendix 1* below for examples of Agresso users who have multiple user access rights registered under their name).

   The above access rights anomaly compromises the security of the Agresso system.

h) **Agresso Ticketing System:** The Astro system went live in May 2025 which provides a ticketing system for updating Unit4 (Agresso).

4. Remaining Weaknesses in the System of Internal Controls

Despite the significant improvements, several key weaknesses in the control environment still exist and require further attention.

a) **Prevalence of Retrospective Purchase Orders:** A major weakness remains the high percentage of retrospective POs. Internal Audit sample testing indicates that approximately 53% of purchase orders are retrospective and this represents approximately 30% of the total value. This could be due to administrative lapses (such as not raising the POs on time) or a breach of the Council's financial procedure rules. There is a risk that goods and services could be committed to without the proper pre-authorisation.

b) **Inconsistent Substitution Processes:** Substitution processes for approvers are not consistently followed. Although guidance is available in the knowledge base, there is need

to provide additional publicity to this issue. A failure to properly use the substitution rules could make the approval system inefficient or it could lead to unauthorised approvals when a designated approver is absent. The project team that is updating the financial control system around the Unit4 ERP are aware of this issue. A review is planned once the HR cleansing work has been completed.

c) **Lack of Documented Control Framework:** There is a lack of proper control documentation, including formal documents for roles and responsibilities, cost centre hierarchies, and a general delegation of authority. While new rules have been issued via email to all budget holders, they have not yet been formally added to the financial procedure rules. The project team that is updating the financial control system around the Unit4 ERP have plans to address this issue as part of the ongoing project. An updated Standard Operating Procedure (SoP) will be created as part of the current project. A system-generated report showing cost centre hierarchies is now in place.

d) **Historical Weaknesses:** A Grant Thornton (GT) audit report highlighted that some users had inappropriate superuser access in the past. This has been addressed by removing superuser access, but it points to past weaknesses in access controls.

e) **Excessive number of cost centres:** The current finance system has more than 700 cost centres. Internal Audit testing identified there are there are 105 cost centres which have had less than 10 transactions posted to each of them for the period from March 2024 through to May 2025. And of these 105 cost centres there are 23 that have had only one transaction posted. See *Appendix 2* below.

Management should review the necessity of this high number of cost centres. Any unnecessary cost centres should be closed.

5. Recommendations for Further Improvements

Based on the audit findings and discussions, the following recommendations are put forward to further strengthen the financial control environment.

Recommendation	Recommended Management Action	Management Response	Responsible Officer
a) Enforce the "No PO, No Pay" Policy	Management should strengthen the enforcement of the "no PO, no pay" policy by addressing the root causes of retrospective POs through targeted training and holding budget holders accountable.	Work is continuing strengthening the internal processes and compliance with purchasing goods, works and services with reporting to Audit and Corporate Governance Committee. This will include communication and training where necessary.	Andy Jeffs, Director of Revenues and Welfare Services
b) Formalise Control Documentation	The new approval levels, workflows, and roles and responsibilities should be formally incorporated into the Council's Financial Procedure Rules to provide a clear and authoritative control framework.	Agreed – this is within scope of the Finance Improvement Programme	Vicki Palazon, Finance Consultant – FIP & Companies (Interim)
c) Promote Substitution Processes	The use of formal substitution rules should be actively promoted and enforced, with clear guidance provided on how to properly	Agreed – this is within scope of the Finance Improvement Programme	Vicki Palazon, Finance Consultant – FIP & Companies (Interim)

Recommendation	Recommended Management Action	Management Response	Responsible Officer
	delegate authority when an approver is absent.		
d) Removal of non-employees from list of approved Agresso users	There should be a clean-up of the list of approved users on the Unit4 (Agresso) system which removes all redundant names such as former employees.	Agreed – this is within scope of the Finance Improvement Programme	Steve Yeo, Strategic Finance Manager - Systems
e) Removal of multiple access accounts by a user on the Agresso system	Each user on the Agresso system should only have one user number and user-name. Internal Audit identified many instances where a user could have multiple user accounts to the Agresso system.	Agreed – this is within scope of the Finance Improvement Programme	Steve Yeo, Strategic Finance Manager - Systems

6. Conclusion

Internal Audit is generally satisfied with the considerable progress made in recent months to enhance the financial control environment over procurements and payments. While notable improvements have been achieved, additional work is still required to address the remaining weaknesses. Internal Audit believes that management's current plans to further improve the system are appropriate and, when fully implemented, should lead to a substantially stronger and more robust control environment for the Council.

Internal Audit would recommend the Testing and Validation of System Interfaces between Unit4 (Agresso) and other systems (e.g., Contract, Capita, Icon, Pacifica) to identify and close any control gaps. This project can be done after conclusion of current system improvement projects.

7. Internal Audit Opinion

This has been an advisory project, there is therefore no Internal Audit Opinion provided.

Appendix 1: Examples of anomalies in Agresso users

Examples of Agresso users who have multiple user access rights registered under the same username or description.

- Saba Khan (User IDs: 800249, 82821265)
- Karen Brown (User IDs: 801780, 82821137)
- Louise Rawlings (User IDs: 801691, RAWLINGSL)
- Bernadette Kelly (User IDs: 801698, BERNADETTEK)
- Jason George (User IDs: 80804386, 82820759)
- Jessie Shergill (User IDs: 80807752, 82821090)

Management Response to the above discrepancies:

- Louise Rawlings (User IDs: 801691, RAWLINGSL) - 801691 has now been closed.

- Bernadette Kelly (User IDs: 801698, BERNADETTEK) - 801698 has now been closed; (it did not have any menu access so did not provide any functionality).

The four remaining have roles in both SBC and SCF, and so have a user login for each organisation so that their access can be controlled and relevant to their work in the two organisations, if they had one user account then their access may not be relevant in both SBC and SCF and so lead to them requiring more access than they require, which is not good practice.

- Saba Khan (User IDs: 800249, 82821265)
- Karen Brown (User IDs: 801780, 82821137)
- Jason George (User IDs: 80804386, 82820759)
- Jessie Shergill (User IDs: 80807752, 82821090)

Appendix 2: Examples of Cost Codes with only one transaction

TransNo	#	Trans.date	Period	Account	Account(T)	Cost Centre	Cost Centre(T)	Analysis	Analysis(T)	Tax Code	Count	Amount
8020053329	108	31/03/2025	202413	R7602	Central Recharges-Support Services (Expenditure)	A01M	MH Client Budgets	B1341	Employee Insurance (NC)	0	1	6,700.00
8020053542	12	31/03/2025	202413	R6270	Housing Transfer Payments – other	B024	Care Leavers and Council Tax	A0208	Business Rates / Council Tax	0	1	126,093.97
8010000611	229	31/01/2025	202410	R1000	Salaries	D214	LATS	A0025	Temporary Contract Staff	0	1	356.3
803366216	0	31/01/2025	202411	R7601	Internal Department Recharges to/from	F156	Asset Management	A1380	Other Recharges From	P1	1	13,400.00
8020054001	0	31/03/2024	202413	R8980	MIRS - Stat prov for the financing of cap investment (MRP)	L506	Minimum Revenue	A2986	Minimum Revenue Provision	0	1	14,501,000.00
803340652	0	16/05/2023	202406	C4001	Works Payments – External	P213	Zone 5 - Slough Station	A4000	Budget Head	P1	1	787.5
803367743	1	18/02/2025	202411	C4001	Works Payments – External	P440	Empty Property Acquisitions	B4971	Condition Survey	P1	1	2,500.00

Appendix 3: The classification system of our Audit Opinions

Substantial	**Substantial Assurance** The framework of governance, risk management, and internal control, as designed and implemented, is operating effectively to provide reasonable assurance that the organisation's objectives will be achieved.
Reasonable	**Reasonable Assurance** While the framework of governance, risk management, and internal control is generally adequate and effective, some opportunities for minor or moderate improvement exist that, if addressed, would further enhance its effectiveness in providing reasonable assurance that the organisation's objectives will be achieved.
Partial	**Partial Assurance** While the framework of governance, risk management, and internal control is generally adequate and effective, one or more significant weaknesses exist in the design and/or operation of the framework of governance, risk management, and internal control that could significantly impact the organisation's ability to achieve its objectives. Prompt action is required to address these weaknesses.
Minimal	**Minimal Assurance** Fundamental weaknesses exist in the design and/or operation of the framework of governance, risk management, and internal control such that it is inadequate and ineffective, significantly jeopardising the organisation's ability to achieve its objectives. Immediate and pervasive action is critical to address these fundamental failures.

NB: No audit opinion was provided in this review because it was classified as an advisory engagement.

Appendix 4: Distribution

- Will Tuckley, Chief Executive
- Ian O'Donnell, Executive Director Corporate Resources and S151 Officer
- Nick Penny, Finance Director
- Mark HakSanders, Director of Financial Management
- Christopher Holme, Finance Director (Finance and Commercial)
- Andy Jeffs, Director of Revenues and Welfare Services
- Vicki Palazon, Finance Consultant – FIP & Companies (Interim)
- Steve Yeo, Strategic Finance Manager - Systems
- Jonathan Ross, Chief Accountant (Finance and Commercial)
- Ian Kirby, Head of Internal Audit and Counter-Fraud

Report prepared by: Andrew Chiduku

                           Lead Internal Auditor