Slough Borough Council

Report To:	Audit & Corporate Governance Committee
Date:	22 July 2026
Subject:	Head of Internal Audit Annual Report & Opinion 2025/26
Chief Officer:	Ian O'Donnell – Chief Operating Officer (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 2025/26 and supports the production of the Annual Governance Statement (AGS).

1.2 The Council has made significant progress in stabilising its governance, inculcating a new risk framework and has delivered improvements across many services. However, the full impact of these improvements is not yet fully embedded and their benefits will be delivered over the medium-term financial period to March 2029. As a result, my opinion is as follows:

Head of Internal Audit's Opinion Statement for 2025/26	It is the Head of Internal Audit's opinion that overall, Internal Audit can provide **Limited Assurance** that the systems of internal control, risk and governance in place at Slough Borough Council, for the year ended 31 March 2026, accord with proper practice and/or were operating as intended.

1.3 A 'Limited Assurance' opinion may be defined as:

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the areas audited.

Members will recall that for the year 2024/25 my opinion was one of 'No Assurance' reflecting the absence of several key elements of the control environment in design and/or operation; little or no assurance derived from the management of key risks to the Council objectives; the need for extensive improvements to be made; a substantial variance between the risk appetite and the residual risk to objectives; and the risk that objectives will not be achieved.

Although, the 'Limited' opinion can be seen as an improvement it should be seen as acknowledgement of the scale of challenge that faces the Council, the progress

required in achieving change/control, a commitment to implement audit recommendations and a commitment to service and organisational transformation. There remains work to be done, at a pace that is commensurate with the expectations of the Commissioners.

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 commitment 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

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 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 2025/26 only.

2.2 The current Head of Internal Audit has been in post since 6 January 2025 and this opinion is based upon full oversight of the Internal Audit function, its delivery and outputs throughout the full year.

2.3 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

2.4 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".

2.5 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"

2.6 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".

2.7 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

2.8 The outcome of the audits undertaken during the year by Internal Audit 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

2.9 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 In the 2 years to 1 April 2025, Internal Audit at Slough Borough Council had gone through a period of significant change. During that period the service:

- Returned in-house from an external arrangement with RSM
- Had four Heads of Internal Audit
- Had been subject to high staff turnover
- Failed to provide an audit opinion for 2023/24
- Failed to provide a level of coverage in 2024/25 that gave those charged with governance assurance on controls, risk management and governance.

3.2 2025/26 provided a much more stable base for Internal Audit delivery

- A single Head of Internal Audit led the team throughout
- Permanent resource was supplemented, effectively, with the addition of two interim auditors for around nine months of the year
- Reporting channels and relationships through Corporate Leadership Team (CLT), the Commissioners and the Audit & Corporate Governance Committee were more clearly defined and effective as a result.

This stable base enabled:

- The completion of 30 individual audits with the issue of 174 separate recommendations
- Transparent presentation of audit reports at Audit & Corporate Governance Committee
- Positive acknowledgement of improvement from Commissioners, in their 7th report to Government, and the Minister in her response to that report
- The closure of around 60 historic internal audit recommendations.

Internal Audit Resources

3.3 The 2024/25 no assurance opinion reflected, largely, the lack of internal audit coverage that had been achieved in year. To address this, the authority approved the addition of two interim auditors to support the team over a period of nine months. Their addition helped to improve coverage and enabled Internal Audit, as a whole, to operate on a much more stable basis and increase visibility and impact across the Council.

3.4 During 2025/26 the Council 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. Now operating from a more settled base, the 2026/27 Internal Audit Plan will be delivered from within base budget.

Organisational Independence

3.5 The Head of Internal Audit has experienced no 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, the Commissioners 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 Chief Operating Officer (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 Chief Operating Officer. 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 Chief Operating Officer, has open lines of communication with and access to:

- The Chief Executive
- 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 and 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 An internal assessment of Internal Audit against the Global Internal Audit Standards (GIAS) and associated Local Government Application Note was undertaken in quarter 1 of 2025/26. The assessment showed that Internal Audit is 89% fully or partially compliant with the 54 individual requirements of the Standards. A Quality Assurance & Improvement Plan (QAIP) is now in place to address areas of non-conformance and improve areas of partial conformance. The six areas of non-conformance were:

- A training programme for Internal Auditors
- Reviewing and recording CPD activity
- The development of a Quality Assurance & Improvement Programme (QAIP)
- Commission an external validation of the self-assessment
- Develop a process for capturing errors and/or omissions
- Develop a process for capturing unacceptable levels of risk

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

3.9 The service was targeted with completing a self-assessment against the standards in the first quarter of 2025/26, this was completed. The service was also targeted, a legacy Annual Governance Statement action, to have an external assessment of its self-assessment completed within quarter 3 of the same year. Unfortunately, due to financial constraints, an external assessment was deferred until 2026/27, and it is hoped that this can be completed prior to Christmas 2026.

Detailed Audit Results – 2025/26

3.10 Internal Audit output during 2025/26 has increased significantly compared to 2024/25 with 30 audits completed compared to just 12 in the previous year.

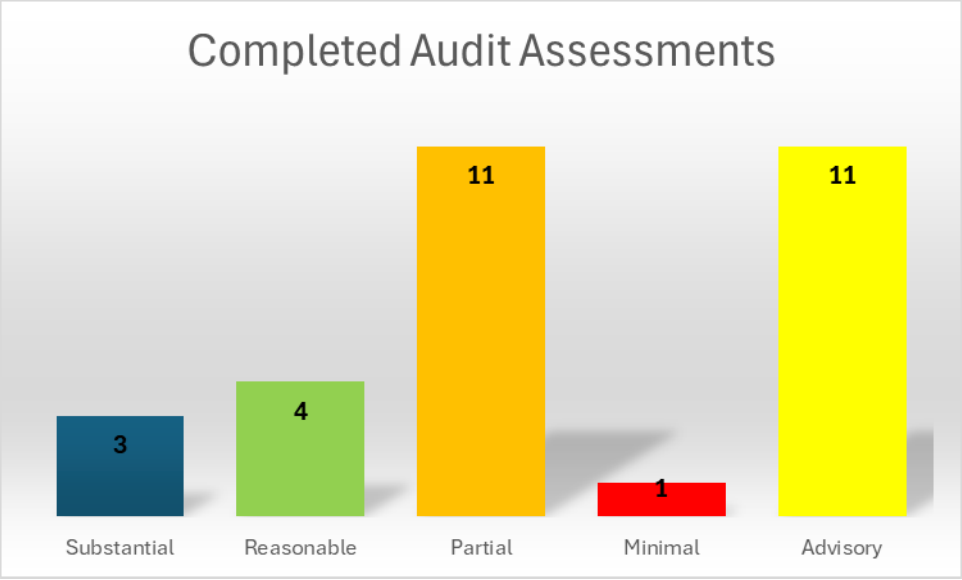
The 30 audits were a mix of formal audits and advisory reviews. The table that follows details the completed audits, the assurance assessment, where relevant, and the number and priority of recommendations issued.

3.11 Summary audit results for 2025/26 are shown in the table below:

No.	IA Review Area		Status	Final Report Issued	Assurance Level	Management Actions		
						H	M	L
1	Corporate Controls	Cross-Cutting	Final Report Issued	30/04/2025	Advisory Report	5		1
2	Contract Management	Corporate Resources	Final Report Issued	25/03/2025	Partial Assurance	5	5	0
3	SEND complaints	Children's	Final Report Issued	25/03/2025	Partial Assurance	3	5	1
4	Schools - Baylis Court Nursery	Children's	Final Report Issued	29/01/2025	Reasonable Assurance		8	
5	Bank Reconciliations	Corporate Resources	Final Report Issued	03/09/2025	Minimal Assurance	2	8	
6	Our Lady of Peace Catholic School	Children's	Final Report Issued	27/05/2025	Reasonable Assurance	1	3	
7	Temporary Accommodation	Regeneration, Housing, Environment	Final Report Issued	27/03/2025	Advisory Report			
8	Schools - Priory Follow-Up	Children's	Final Report Issued	13/03/2025	Reasonable Assurance		1	8
9	IT Application Change Management	Corporate Resources	Final Report Issued	28/05/2025	Partial Assurance	3	1	
10	Managing Sickness Absence	Corporate Resources	Final Report Issued	03/09/2025	Partial Assurance	1	5	3
11	Adults Services - Commissioning	Adults'	Final Report Issued	27/05/2025	Partial Assurance	3	2	4
12	Compliance with the Prudential Code	Corporate Resources	Final Report Issued	02/09/2025	Advisory Report			
13	Cyber Crime	Corporate Resources	Final Report Issued	02/09/2025	Partial Assurance	5	1	0
14	Direct Debits (Externally Commissioned)	Corporate Resources	Final Report Issued	02/09/2025	Advisory Report		5	
15	Health & Safety - Accidents, Incidents & Near Miss	Public Health & Protection	Final Report Issued	04/09/2025	Partial Assurance	2	5	9
16	Financial Control - Procurement & Payments	Corporate Resources	Final Report Issued	02/10/2025	Advisory Report		5	
17	Finance Improvement Plan	Corporate Resources	Final Report Issued	14/10/2025	Advisory Report			
18	Asset Management & Disposal	Regeneration, Housing, Environment	Final Report Issued	06/11/2025	Partial Assurance	2	5	3
19	Schools - Lea Nursery	Children's	Final Report Issued	02/12/2025	Substantial Assurance		1	1
20	Schools - Cippenham Nursery	Children's	Final Report Issued	08/12/2025	Partial Assurance		2	1
21	Leisure Services Contract	Public Health & Protection	Final Report Issued	05/12/2025	Partial Assurance	5	2	
22	Schools - Penn Wood Nursery	Children's	Final Report Issued	19/12/2025	Substantial Assurance			2
23	Schools - Iqra Islamic Nursery	Children's	Final Report Issued	14/01/2026	Substantial Assurance		1	1
24	Temporary Accommodation (Externally Commissioned)	Regeneration, Housing, Environment	Final Report Issued	14/01/2026	Advisory Report	12	7	5
25	Compliance with the CIPFA FM Code	Corporate Resources	Final Report Issued	19/02/2026	Advisory Report			
26	National Living Wage Compliance (Adults)	Adults'	Final Report Issued	21/01/2026	Advisory Report			
27	Schools - Chalvey Nursery	Children's	Final Report Issued	02/03/2026	Partial Assurance	4	2	3
28	Schools - Slough Centre Nursery	Children's	Final Report Issued	02/03/2026	Reasonable Assurance		2	3
29	Joint Mental Health	Adults'	Final Report Issued	15/03/2026	Advisory Report			
30	Officer Decision-Making	Chief Executive's	Final Report Issued	24/03/2026	Advisory Report			

3.12 The Commissioners' 7th report to Government recognises that the Council "has focussed its efforts on re-building an effective corporate infrastructure and addressing serious service failures in many of its functions". It is my opinion that this focus has shifted, in internal audit terms, from an unknown position in 2024/25 to one where the scale of issue and actions required to remedy it are much clearer, planned and starting to have impact. Analysis of 2025/26 audit results show that of the scored reports the vast majority are in the partial assurance category. Partial assurance reflects that 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.

Although seven audits have been classed as either reasonable or substantial which is positive, it should be pointed out that these relate to our schools' audits.



3.13 As part of our internal audit output during the year the team has issued a total of 174 recommendations. Within those recommendations a number of cross-cutting themes emerged.

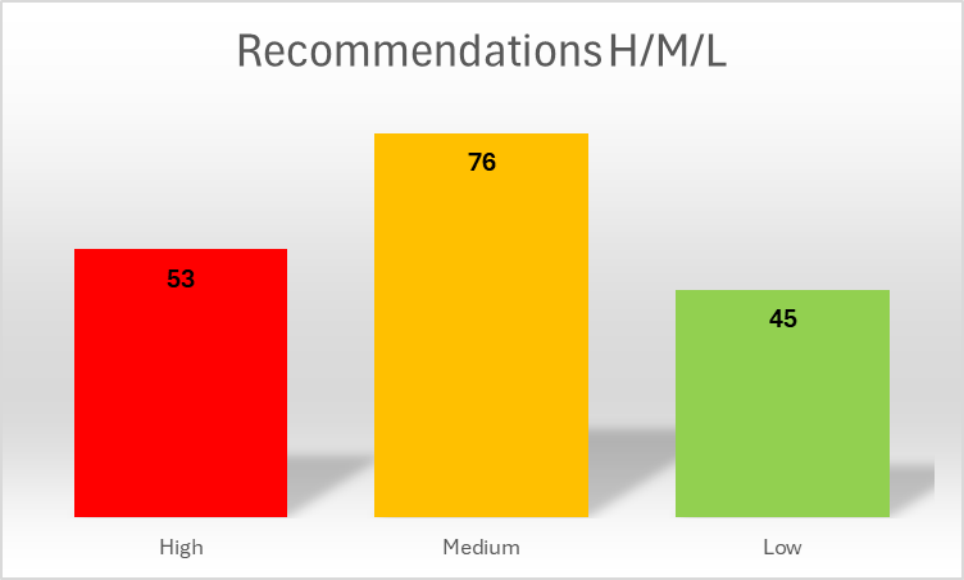
Records Management: issues in this area centre on the availability, currency and quality of the information required to support audit activity.

Accountability: the identification of process owners/accountable officers, which may of course be hampered by the turnover of senior responsible officers. In addition, a number of recommendations identified awareness training as a solution, suggesting that roles within specific activity were not always known or clear.

Process: linked to the awareness point above, a number of recommendations addressed the failure to follow stated process. Legitimately, some stated process

may have been updated or improved, but linked to the currency of process documentation, may not have been formally updated.

Collaboration: No or little evidence of effective common workflow across departments to achieve shared results and outcomes.



3.14 Internal Audit continues to monitor and work with services to support the implementation and closure of Internal Audit recommendations. At the same stage last year, some 75 historic recommendations, from audits undertaken between 2021 and 2024, remained incomplete. It is pleasing to report that, following a concerted effort, driven by Corporate Leadership Team, that this number has now reduced to 14. Internal Audit will continue to monitor the implementation of these recommendations and will work collaboratively with services to support appropriate implementation. Work to support this implementation through both performance management and follow up auditing is included within the 2026/27 Internal Audit Plan.

3.15 The 2026/27 risk-based Internal Audit Plan provides an appropriate level of audit coverage and proposes around 35 separate audits over 555 audit days. Please note that the Plan is presented at a point in time and may be subject to change as new risks emerge or known risks escalate.

4. Counter-Fraud

4.1 The Counter Fraud Team (CFT) delivers a pro-active approach to fraud prevention, detection and recovery in support of good governance, internal control and the management of risk.

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-

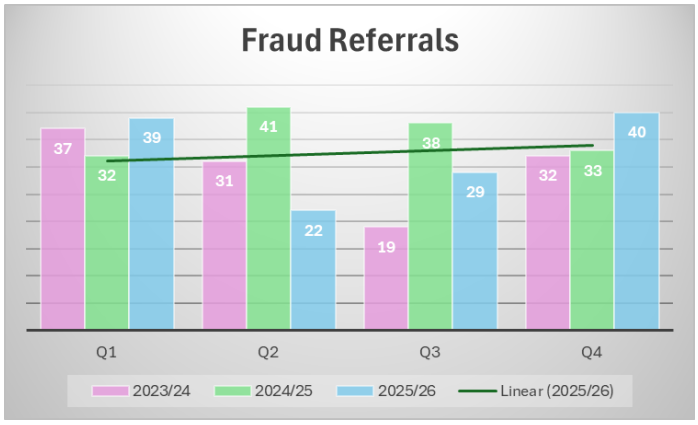
tolerance approach to fraud, bribery, corruption, and other irregularities, including anti-money laundering activity.

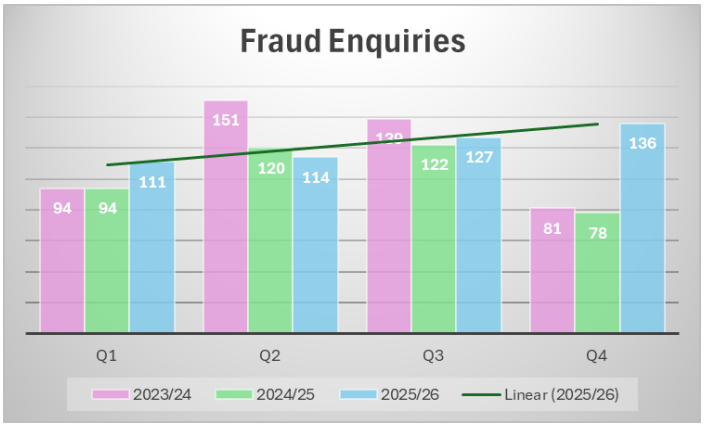
The CFT works closely with the Council and its partners to prevent, detect, and investigate allegations of fraud and corruption occurring within and/or against the authority. An Anti-Fraud and Corruption Response Plan is in place to ensure that members and employees know what action to take should they 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
- HR – Employment Fraud (Career Polygamy)
- 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 Although fraud referrals dipped over the summer months of 2025/26, over the course of the year referrals were largely stable. Interestingly, the number of enquiries to the CFT increased steadily over the same period. This may be attributed to the increased visibility of the team and more informed advice and guidance at the enquiry stage, thus reducing the need or a formal referral.





4.3 Although the team has had some notable successes (Annual Counter-Fraud report Audit & Corporate Governance Committee – 22 July 2026) in terms of prosecutions, recovery of property, recovery of blue badges – the team is continuing to see an increasingly complex caseload and the risk of fraud remains high.

4.4 The CFT has worked closely with the Housing Service to proactively assess, visit and investigate out of borough temporary accommodation placements. Operation Eden, as it was called, delivered cost savings, addressed landlord issues and

importantly sought, wherever required and possible, to move families to more appropriate in borough accommodation.

5. Governance

5.1 The Council issued a S114 Notice in July 2021 and since that time has been subject to intervention by Government through its Commissioners. This intervention will continue until at least November 2026. Relevant to this report and opinion, I have taken account of the Commissioners' update letter to the Minister issued in October 2025, together with her response to it. The letter outlines the progress being made, the scale of the challenge, in terms of financial and other risk.

5.2 In their 6th report, Commissioners were able to recognise positive progress without losing sight of the further work that was still required. However, the 7th report, stated that progress since 2021 has been "inconsistent" and perhaps of greater concern, that recent progress had "plateaued".

5.3 The Commissioners have highlighted the significant financial pressure that the Council faces, largely driven by demand in adult social care, homelessness and Special Educational Needs and Disabilities (SEND). Additionally, reserves are diminishing, capital receipts are lower than expected, and debt servicing costs are rising, creating acute financial strain. Spending controls have been strengthened, but these are not sustainable long-term and must be replaced by leadership-owned savings.

5.4 The Council remains reliant on exceptional financial support (EFS) from the Government. However, it has now set a three-year medium term financial strategy (MTFS), predicated on a number of informed assumptions, that if delivered will see the Council free of EFS support by 31 March 2029. Linked to the delivery of the MTFS and the ambition to be a best value authority, the Commissioners are expecting the following:

- A step change in performance
- The implementation of a whole organisation transformation programme
- The strengthening of senior leadership
- The embedding of a strong performance culture
- Improved organisational resilience.

5.5 In February 2026, the External Auditors (Grant Thornton) issued their annual report bringing together all of the work undertaken for the Council in 2024/25 and although this is not the opinion year, it provides assurance on statutory recommendation progress and the overall control health of the organisation. The annual report concludes that the Council's arrangements for securing value for money remain subject to multiple, significant weaknesses across financial sustainability, governance, and service effectiveness. While there has been notable improvement in engagement, transparency and governance processes during 2024/25, the

Council is not financially sustainable, continues to rely on exceptional financial support, and has yet to demonstrate a credible, fully funded transformation pathway capable of securing compliance with its Best Value Duty. On that basis I can only take limited assurance from it.

5.5 The S151 Officer's Section 25 statement identifies that the Council is not currently financially sustainable. However as previously stated, a three-year MTFS has been set that will see the Council free of EFS by 31 March 2029. This more sustainable position is predicated on the delivery against key assumptions, such as savings proposals, and the realisation of benefits associated with organisational transformation. This is recognised as a corporate risk (CR9) and will be monitored and managed on that basis.

5.6 As reported at the 11 March Audit & Corporate Governance Committee, officers have continued to work to a very challenging timetable over the period of the last 2 financial years to prepare, publish and finalise six years' accounts (2019/20 to 2024/25). These have all been published on the Council's website and signed off by the Council's auditors Grant Thornton (GT) with a disclaimed opinion. Closure of the 2024/25 audit is important for this opinion as it determines the opening balances for the 2025/26 and informs the Council's budget monitoring and management. Although, issuing a disclaimed opinion, Grant Thornton were able to perform some limited testing, identifying a number of strengths including the ability of the Council to provide some evidence for all of the transactions within their sample. Their work did identify a number of recommendations including the improvement of year-end accruals and the review and clearance of suspense accounts. It is pleasing to note that the Council has stated the findings of this review will be incorporated into planning for the 2025/26 audit, which will be the Council's first full audit since 2018/19.

5.7 As part of its advisory work for 2025/26, Internal Audit reviewed governance and progress being made within the Finance Improvement Programme (FIP). The review identified a number of strengths including: improved governance, compliance with the CIPFA FM Code, a structured programme management approach and a good level of engagement. In addition, the review identified a number of areas for consideration/action and these included the completion of project initiation documents (PIDs), the manging of resource risks at peak times and accelerating the implementation of project dashboards. The Finance Improvement Plan is supporting an improved control environment, is progressing in the right direction with the key focus remaining on delivery. I am able to derive some assurance from the progress of the FIP.

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 During 2025/26, the development of the Council's risk management process has continued to develop and mature. Recognising that development, the Head of Internal Audit can, for 2025/26, provide reasonable assurance as to its effectiveness.

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.