



Supplement for

AUDIT AND GOVERNANCE COMMITTEE - THURSDAY, 4 DECEMBER 2025

8. **External Auditors Annual Report 2025/26** 3 - 28

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Agenda Item 8



COTSWOLD
District Council

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT & GOVERNANCE COMMITTEE – 4 DECEMBER 2025
Subject	AUDITOR’S ANNUAL REPORT 2024/2025
Wards affected	N/A
Accountable member	Cllr Patrick Coleman, Cabinet Member for Finance Email: patrick.coleman@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and S151 Officer Email: David.stanley@cotswold.gov.uk
Report author	Michelle Burge, Chief Accountant Email: michelle.burge@cotswold.gov.uk
Summary/Purpose	The Auditor’s Annual Report (AAR) summarises external audit conclusions for 2024/2025. It highlights key findings from the value for money review, as required by the <i>Local Audit and Accountability Act 2014</i> and <i>Code of Audit Practice</i>.
Annexes	Annex A – Auditor's Annual Report (Bishop Fleming)
Recommendation(s)	That the Audit & Governance Committee resolves to: Note the Auditor’s Annual Report
Corporate priorities	The 'Auditor’s Annual Report’ is relevant to the Council’s priority of “Delivering Good Services” – through ensuring value for money and standards, enhancing financial resilience and making best use of our assets.
Key Decision	NO
Exempt	NO



COTSWOLD
District Council

Consultees/ Consultation	N/A



1. EXECUTIVE SUMMARY

- 1.1** Under the National Audit Office (NAO) Code of Audit Practice ("the Code") external auditors are required to consider whether the Council has put in place proper arrangements for 2024/25.
- 1.2** The Auditor's Annual Report (AAR) for the year ended 31 March 2025 (included at Annex A) details the auditor's findings with regards to the Council's arrangement for 2024/25 including:
- One significant weakness in procurement arrangements
 - Two prior year governance recommendations remain outstanding
- 1.3** The report includes improvement recommendations and management responses and a follow up of recommendations raised in the previous audit (section 8).

2. FINANCIAL STATEMENTS AUDIT

- 2.1** The Council's audit of the financial statements is not yet complete, but Bishop Fleming anticipates issuing an unmodified audit opinion. Bishop Fleming will report the outcomes from the audit of the financial statements in their Audit Completion Report reported to the January 2026 Audit & Governance Committee.
- 2.2** A representative from Bishop Fleming will be in attendance at the meeting to present the AAR and answer any questions.

3. VALUE FOR MONEY AUDIT

- 3.1** As reported on page 3 of the AAR one significant weakness was identified in respect of the Council's procurement arrangements, this related to an investigation of the Counter Fraud Enforcement Unit into procurement arrangements which highlighted evidence of senior officers and an elected member involved in procurement being able to bypass/override the Council's procurement arrangements preventing the opportunity for effective challenge by appropriate statutory officers and elected members.



3.2 The report highlights that the Council has put in place an action plan outlining measures to be taken to strengthen procurement arrangements. (p11). Actions include:

- Mandatory procurement training for senior officers held in November 2025
- Member briefing held in November 2025
- The provision of a procurement fraud toolkit for staff undertaking such activities

3.3 Progress against this plan will be reported to the Audit & Governance Committee in April 2026.

3.4 There are two governance recommendations from prior periods that remain in progress: the Audit & Governance Committee self-assessment and the review frequency of the Strategic Risk Register. Further details, including the recommendations and management responses, are provided in Annex A (page 15) of the AAR.

3.5 No significant weaknesses in the Council's arrangements for financial sustainability and improving economy, efficiency and effectiveness were identified.

4. ALTERNATIVE OPTIONS

1.1. None

5. CONCLUSIONS

1.2. The Audit and Governance Committee are requested to note the report.

6. FINANCIAL IMPLICATIONS

1.3. None.

7. LEGAL IMPLICATIONS

1.4. None.

8. RISK ASSESSMENT

1.5. None.

9. EQUALITIES IMPACT



COTSWOLD
District Council

1.6. None.

10. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

1.7. None.

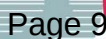
11. BACKGROUND PAPERS

1.8. None.

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For the year ended 31 March 2025



Date: 26 November 2025

Members of the Audit and Governance Committee
Cotswold District Council
Trinity Road
Cirencester
Gloucestershire
GL7 1PX

Dear Members

Cotswold District Council – Auditor's Annual Report 2024/25

We are pleased to attach our draft Auditor's Annual Report for the financial year 2024/25. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the Council's officers for the co-operation and assistance afforded to us during the course of the audit.

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming Audit Limited". The script is cursive and elegant, with the words flowing together.

Bishop Fleming Audit Limited

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1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Cotswold District Council (the Council) for the year ended 31 March 2025.

The Council is responsible for:

- keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control;
- the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them; and
- putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives whilst safeguarding and securing value for money from the public funds at its disposal.

The scope of our work is set in accordance with the National Audit Office's (NAO) Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition, we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We carried out our work in accordance with our Audit Plan which we issued to the Council in March 2025.

2. Executive summary

Results from the audit of the financial statements

We are completing our audit of the financial statements, and we anticipate issuing an unmodified audit opinion. See Section 3 for more details.

On finalisation of the external audit, we will also complete the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return.

We have issued this report as draft as these procedures have not been finalised. We will issue a final version to confirm when these matters have been resolved.

Results on our work on other matters

We are currently completing our work relating to other matters in line with our audit plan. For those minor areas that have required updates or amendments, management have engaged constructively with us and responded positively to our requests. See Section 3 for more details.

Results from our work on VFM arrangements

Under the Code, we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability	 Green	We did not identify any significant weaknesses in the Council's arrangements. We have not made any recommendations for improvement in this area.
Governance	 Red	We have identified a significant weakness in the Council's arrangements in respect of its procurement arrangements. As a result, we have made a recommendation to the Council to address this. There are also two prior period recommendations that remain ongoing.
Improving economy, efficiency and effectiveness	 Green	We did not identify any significant weakness in the Council's arrangements. We have not made any recommendations for improvement in this area.

Key:



Green - No significant weaknesses in arrangements identified and no recommendations made



Amber - No significant weaknesses in arrangements identified but recommendations for improvement made



Red - Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the Code and the International Standards on Auditing (ISAs) (UK). As stated in section 1 of this report, we are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are completing our audit of the financial statements, and we anticipate issuing an unmodified audit opinion.

Key issues arising from the accounts audit

Our testing and review of the financial statements to date has not identified any significant issues that need to be brought to the attention of those charged with governance. We will report the outcomes from our audit of the financial statements in our Audit Completion Report in January 2026.

Other matters

As stated in section 1 of this report, we are also required to report to the Council, by exception, the following matters, if:

- the Annual Governance Statement does not comply with “Delivering Good Governance in Local Government: Framework 2016 Edition” published by CIPFA/SOLACE; or
- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We concluded that there were no matters to bring to the Council’s attention in respect of these matters.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor’s responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We cannot formally conclude the audit and issue an audit certificate for Cotswold District Council for the year ended 31 March 2025 in accordance with the requirements of Local Audit and Accountability Act 2014 and the Code until we have issued our audit opinion and have confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

4. Value for Money

Under the Code, we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

The Code requires us to report our commentary on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criterion for the auditor to assess those arrangements.

Our initial risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there were any significant weaknesses in the arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in sections 5, 6 and 7 of this report. We have identified a significant weakness in respect of the Council's procurement arrangements during 2024/25 - namely around how it ensures it makes properly informed decisions, supported by appropriate evidence allowing for challenge and transparency and meeting legislative/regulatory requirements and standards in terms of officer or member behaviour. Further detail is set out on Page 10. Our recommendations are included in section 8.

5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2024/25 outturn

The Council reported a surplus of £0.778m in its outturn against revenue budget for 2024/25. This was reported to Cabinet in its meeting on 10 July 2025. The initial budget for the year presented in the Medium-Term Financial Strategy (MTFS) was an expected surplus of £0.516m, so the actual outturn represented a favourable variance totalling £0.262m. This was driven by a number of factors including higher than anticipated treasury management income of £0.221m. The favourable outturn against budget allowed for the planned transfer to the Council's Financial Resilience Reserve and the additional surplus to be transferred to the Transformation Reserve. The Financial Resilience Reserve provides one-off reserve funding to mitigate the Council's budget gap identified in the MTFS and enable it to maintain financial sustainability over the MTFS-period/until 2027/28. The Transformation Reserve is to provide funding to support the Council's Savings and Transformation programme.

The Council's outturn against the Capital Programme which was also reported to Cabinet in July 2025 showed a net underspend of £0.428m – all of which has been carried forward to the 2025/26 Capital Programme. The Capital Programme had been revised in the budget papers considered by Council in February 2025 – in part due to these underspends. There are various reasons that capital expenditure has been delayed, but the Council appears to have a clear plan to utilise the funds being carried forward into the next financial year, with commitments in place for many of the projects where slippage was seen in 2024/25.

Further detail on the Council's financial performance during 2024/25 can be found in the Narrative Report at the beginning of the annual statement of accounts.

The Council's 2024/25 balance sheet has seen an increase in net assets from £93.48m to £96.36m. The primary driver of this growth is an increase of £1.82m in the value of the Council's property, plant and equipment. This increase was largely due to additions of £3.56m offset by £1.77m of disposals.

The Council's usable reserves balance has increased from £22.15m to £24.99m during 2024/25. Of the usable reserves held at year-end, the Council's General Fund balance has been held stable year on year, sitting at £1.76m as at 31 March 2025. £11.15m is held in earmarked reserves, which includes a balance of £2.94m in the Financial Resilience Reserve that as stated above is held to relieve budget shortfalls over the MTFS period.

Financial planning and monitoring

The Council's financial planning and monitoring arrangements are appropriate and remain largely unchanged since last year. The Local Government Association Corporate Peer Challenge progress report in November 2024 noted that "the Council now has a clearer understanding of its financial position, aided by the changes that have taken place to transfer aspects of the finance function back to the Council from Publica, with the direct insight that this has provided for the Council".

The Council sets its budget and MTFS annually, with the 2024/25 budget being approved on 24 February 2024 by Full Council. The MTFS is updated twice a year in November and February. It is subject to regular review at these points by

Cabinet and Council and is also presented to the Audit and Governance Committee and the Overview and Scrutiny Committee for overview and challenge.

The Council presents quarterly performance reports to the Overview & Scrutiny Committee and to Cabinet which set out delivery against the annual budget. This approach ensures that financial targets, including cost-saving initiatives, are closely tracked against key performance metrics. This proactive governance framework continues to support the Council in responding to emerging financial challenges while maintaining fiscal sustainability.

The Council maintained a Council Priorities Fund held as a reserve through 2024/25 to ensure delivery against Council priorities. This has been further analysed, with funds allocated to specific priorities, such as housing delivery and transformation and change. In addition to this Fund, the Council holds a Financial Resilience Reserve (as referred to above) that it plans to use to supplement budget shortfalls over the MTFS period.

Achieving efficiency savings

To ensure the Council is able to set a balanced budget for any financial year, it only includes savings in the MTFS where proposals are robust and can be delivered.

During 2024/25, delivery of savings was overachieved by £127k. In 2025/26, savings and budget reductions amount to £829k and include budget savings due to changes in contribution to the Local Government Pension Scheme and fee increases to the garden waste scheme.

The Council has established a Cabinet Transformation Working Group to support the Cabinet in identifying and reviewing savings and transformation opportunities. The Group is continuing to work to develop the Council's savings programme to address the budget shortfall over the MTFS period and beyond. The Local Government Association Corporate Peer Challenge progress report in November 2024 noted that "Thinking around a 'transformation programme' is emerging, reflected in the role of the Finance Cabinet Member being retitled to that of 'Finance and Transformation'. Plans around such a programme need to be developed much further and then made concrete if it is to become a recognised and reliable source of savings and/or increased revenue streams."

We have seen evidence that the Council continually assesses potential lower cost options. For example, during the year, we have seen evidence of the consideration of the Re-zoning of Waste and Recycling Services. In 2024/25 savings of £0.375m were achieved in relation to this.

2025/26 financial planning

The Council presented the 2025/26 Budget to elected members in February 2025. This showed a balanced budget for the year. However we note that at the time the Chief Finance Officer highlighted to Full Council that whilst there was no immediate risk of the Council having to apply for Exceptional Financial Support (EFS) or consider issuing a section 114 notice, members needed to note the budget gap forecast over the medium-term must be closed to maintain financial sustainability. (For context, local authorities cannot actually go 'bankrupt' in the way that a company or an individual can. Instead, they issue what is known as a section 114 notice. This is a report from the Council's finance officer that they believe that the authority is about to incur expenditure that is unlawful according to the Local Government Finance Act 1988. Expenditure can be unlawful for various reasons but the primary reason why most authorities issue a section 114 notice is because they expect their expenditure to exceed their income for a particular financial year – which is not permitted under the 1988 Act.)

The Budget report went on to say that the Council's core financial position was a balanced budget for 2025/26 with a transfer of the projected surplus to the Financial Resilience Reserve. However, there was a significant and increasing projected budget gap of £1.589m in 2026/27 forecast to increase to £4.879m in 2027/28 and £6.282m by 2028/29.

All financial planning is completed based on provisional budget settlements issued by Government departments, which feed into the Council's overall planning assumptions with adjustments made in respect of the final settlement and support from local government finance specialists such as Pixel and LG Futures. With announcements concerning Local Government Reorganisation and Devolution and Local Government Finance Reforms, the Council acknowledges that the financial position of the Council from 2026/27 will need to be updated.

The Council's transfer of services from Publica should give it greater control over its financial planning going forward. The MTFS sets out the approach to financing the one-off costs of the transition and that the review/transfer must be contained within the financial envelope of the MTFS. An earmarked reserve of £0.5m has been set aside to fund the one-off costs of transition. The Council has monitored the ongoing costs arising from the transition from Publica to service delivery in-house through the quarterly financial reporting throughout the year, the draft 2025/26 budget and MTFS update reports.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements.

6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how it gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Risk management

The Council's risk management arrangements remain adequate in 2024/25.

The Strategic Risk Register clearly identifies relevant strategic risks and is presented and reviewed annually by the Audit and Governance Committee. The 2022/23 Auditor's Annual Report included a recommendation to review the Strategic Risk Register more regularly. Our work in 2024/25 identified that the register was reviewed once in the year by the Audit and Governance Committee on 14 November 2024. We have therefore concluded that this recommendation remains outstanding. We have seen evidence that progress is being made in improving risk reporting as the Audit and Governance Committee in May 2025 reviewed the risk management policy. We will continue to review the position in our 2025/26 work to assess progress being made.

The Strategic Risk Register details the risk owner and responsible officer for each risk along with the appropriate corporate objective. For each risk identified, the register details the RAG rating, the progression of the risk score, how the risk is currently being managed and further actions to reduce the risk.

Each Cabinet member has assigned responsibilities for an area of the Council allowing them to consider levels of risk in their respective area.

Internal control

The Audit and Governance Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

Another key element of internal control is the role of Internal Audit. The Council's Internal Audit is provided by the South West Audit Partnership (SWAP), who have a representative at each of the Audit and Governance Committee meetings to present any audit findings. The Audit and Governance Committee approves the Annual Internal Audit Plan and is provided with a progress report against the plan at each meeting.

Through our review of the Internal Audit reports, along with review of the Audit & Governance Committee minutes and supporting documents, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme.

Internal Audit completed their work for the 2024/25 financial year and the Head of Internal Audit opinion stated that the Council has a "generally sound system of governance, risk management and control in place". Through review of the Internal Audit reports, we have seen improvement recommendations made that are generally responded to positively and implemented by management.

Budget setting and budgetary control

Budget setting and budgetary control arrangements remain appropriate and largely unchanged since last year.

Budgets are agreed in consultation with budget holders taking into account the level of available resources and the need to maintain financial sustainability. They are then presented for consultation with the Cabinet with review of the performance against the prior year undertaken alongside budget holders before being approved at a Full Council meeting. The budget-setting process for 2025/26 drew on past performance, analysis of global and domestic factors such as interest rates, and risk scenarios linked to the MTFS.

Both the 2025/26 Budget and the MTFS highlight the significant uncertainty facing the Council and the wider sector. This uncertainty stems from the short-term nature of local government finance settlements and the lack of progress on wider finance reform, which is currently assumed to take effect from 2026/27. The Council's evaluation of current and future finance settlements, along with the potential impacts, provides valuable context and insight.

Committee papers - including those considered by Cabinet and Full Council - demonstrate that the budget-setting process is addressed at every level, from budget holders and the Finance Portfolio Holder through to the Chief Executive, Deputy Chief Executive, the Chief Finance Officer, and Senior Leadership Team. Monitoring reports show that budget holders are held accountable for delivering against their budgets or developing mitigating actions where needed. Quarterly monitoring and scrutiny are recorded in the minutes of the Overview and Scrutiny Committee, while budget proposals are formally approved by Cabinet. The 2025/26 budget, for example, was approved at Cabinet on 6 February 2025 and subsequently ratified by Full Council on 24 February 2025.

Quarterly reporting of capital projects to Overview and Scrutiny Committee and Cabinet evidence monitoring and oversight of capital matters.

Sufficient evidence has been seen through review of minutes to provide assurance that the budget setting and monitoring processes are reported and discussed throughout the year. Analysis of budget variations and explanations were included in the reporting.

Decision making

We are satisfied that arrangements are generally in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made. There is clear documentation of the Council and Cabinet functions within the Council's Constitution which was last updated in March 2025 and which sets out in detail who is required to make specific decisions. An example of relevant information being provided to decision-makers is the report regarding the Publica transition plan. This gives background and details of the matters, next steps, financial and legal implications, risk assessment, equalities impact, climate implications as well as an accompanying annex (Local Partnerships report and recommendations), all of which allow decision makers to make an informed decision on the matter.

There is generally an appropriate culture set by senior officers, driven by the code of conduct set out in the Council's Constitution but see also our commentary on procurement below. This includes appropriate levels of engagement by the leadership team with other senior members and attendance at governance meetings. Leadership also ensure that the appropriate experts are consulted for unusual or complex transactions such as the Publica transition reports.

Procurement investigation by Counter Fraud and Enforcement Unit

On 30 September 2025, the Counter Fraud and Enforcement Unit (CFEU) reported to the Audit and Governance Committee on the findings of an investigation it had undertaken into procurement by the Council. This was following a number of whistleblowing concerns made to the CFEU and the Head of Internal Audit. The allegations centred around three companies being engaged during 2024/25 outside of the Council's Contract Rules and that these companies were targeted due to undeclared relationships / connections by the officers and the Councillor involved in their procurement. The report highlighted a number of failures in the procurement of these contracts including:

- Breach of the Council's Contract Procedures Rules; and
- Key stakeholders such as Legal Services, Finance and the wider Corporate Leadership Team not being consulted on the procurement.

The report goes on to state the risks to the Council as a result of these failings included reputational damage, legal and financial risks and breach of governance and accountability.

In response to the report's findings, the Council has put in place an action plan outlining the measures to be taken to strengthen arrangements. These include mandatory procurement training for all senior staff, the provision of a procurement fraud toolkit for staff undertaking such activities, and a development session for members. Progress against the action plan will be reported to the Audit and Governance Committee in April 2026.

The Council has a number of written processes in place surrounding procurement including its Constitution, Codes of Conduct and Financial Rules. Whilst there does not appear to have been any financial losses as a result of the awarding of the three contracts, there is evidence of senior officers and an elected member involved in their procurement being able to bypass/ override the Council's procurement arrangements preventing the opportunity for effective challenge by appropriate statutory officers and elected members.

Given this, we have concluded that there is a significant weakness in the Council's governance arrangements in respect of procurement and raised a 'red rated' recommendation in the Action Plan on Page 14.

Ensuring appropriate standards

The Code of Conduct for members and officers provides clear guidance on the standards of behaviour expected. Evidence of compliance with these standards is demonstrated through the gifts and hospitality declarations, which are recorded in a register and published on the Council's website.

During the course of our work, we did not identify any gaps in the application of standards other than those highlighted above in the procurement investigation and were assured by management that no serious data breaches have taken place during the year. In addition, the Audit and Governance Committee receive regular cyber security update reports, enabling effective oversight and monitoring of the Council's cyber security arrangements.

Based on the work carried out, we have concluded that there is a significant weakness in the Council's governance arrangements – namely around how it ensures it makes properly informed decisions, supported by appropriate evidence allowing for challenge and transparency and meeting legislative/ regulatory requirements and standards in terms of officer or member behaviour. We have made recommendations at section 8.

7. Improving economy, efficiency and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing performance and evaluating service delivery

The Council's arrangements for assessing and evaluating service delivery remain appropriate.

The Council reports on its performance against key objectives on a quarterly basis through the Council Priority and Service Performance Report, which is presented to both the Overview and Scrutiny Committee and the Cabinet. This report provides a detailed assessment of performance against budget, monitors the reasons for variances, and highlights where corrective actions are required to drive improvements. Alongside this, the Council also presents quarterly reports on its financial performance against budget, as well as an Annual Performance Report, which sets out progress made during the year toward achieving the budgeted position. In addition, the Council participates in the Local Government Inform steering group, enabling benchmarking of performance with other local authorities and the sharing of knowledge and best practice.

As referred to previously, a Local Government Association Corporate Peer Challenge progress review was undertaken during the year, with the report published for Full Council on 20 November 2024. The review highlighted several areas where the Council had made strong progress since the previous review. In particular the report noted that "The Council has clearly embraced the recommendations from the corporate peer challenge in October 2022 and driven forward significant change and improvement."

Partnership working

The Council engages in a broad range of local partnerships and has a strong record of working with strategic partners to develop strategies and translate them into deliverable actions.

Last year we outlined in our Auditor's Annual Report that a key partnership in which the Council was involved - namely Publica - was changing and that the Council was in a transitional process of bringing many of the services provided by Publica back in house. Phase 1 of the transition was completed in November 2024 with around 70 people joining the Council under TUPE (Transfer of Undertakings Protection of Employment rights). A Detailed Transition Plan for Phase two (Project Management, Leisure Management, Property and Estates and Waste & Recycling) was approved by Council in March 2025 with full transfer to Council employment completed in July 2025. The budget implications of these changes were reflected in the 2025/26 annual budget. A new Governance Group was established following the transition of services back to the Council which is focused solely on the Council ensuring sufficient focus and scrutiny is given to internal governance arrangements.

The Council is also involved in a number of other partnerships including:

- Ubico – the Council has a one-eighth share in Ubico Limited. The company provides a range of integrated environmental services including, commercial refuse collection and grounds maintenance services on behalf of the Council
- SWAP Internal Audit Services which is run in partnership with other local authorities
- Gloucestershire Information Sharing Partnership which enables data to be shared when necessary
- CFEU which investigates allegations of fraud and abuse, support revenue maximisation, and help prevent financial loss across many Gloucestershire district councils

Oversight and monitoring of partnerships is maintained through regular senior management team meetings, with outcomes reported annually to the Overview and Scrutiny Committee and Cabinet. This ensures that progress within the partnerships is reviewed in line with the established framework for partnership working.

The Council also makes use of a wide range of communication channels to ensure effective consultation with key stakeholders. Evidence of this can be seen in the communication of key budget messages.

Local Government Reorganisation

The announcement of Local Government Reorganisation (LGR) in December 2024 is a significant new challenge for local authorities, with the Council required to work closely with others in its area to determine the path forward for Gloucestershire as a whole, not only in terms of the shape and form of the successor unitary authorities but also how such a body or bodies may align to the broader strategic authorities. From our discussions with officers and review of minutes to date (including a report to the March 2025 Council meeting), we consider that Cotswold District Council has engaged with this challenge in an appropriate manner.

At the Overview and Scrutiny Committee on 17 November 2025, the Council reported that in partnership with Gloucestershire County Council and the five other district councils, two full proposals for local government reorganisation had been developed. The proposals were for a single unitary authority option and a two unitary authorities (East / West) option. We shall continue to monitor progress of this as part of our 2025/26 audit work.

Commissioning and procuring services

The Council has an established Procurement and Project Management Strategy, updated in July 2023. This strategy sets out how procurement services are delivered through Publica and communicates a clear vision of achieving value for money through effective commissioning and procurement, while also minimising environmental impact.

In February 2025, legislative changes resulted in amendments to the Council's Contract Procedure Rules. Our review of the updated rules confirmed revisions to procurement templates for tenders, requiring documentation to specify the service requirement, award criteria, evaluation process, clarification procedures, and submission deadlines. In line with these updates, all awarded tenders must be directly linked to the subject matter of the contract and consider quality, price, and social value.

As stated earlier, contract performance is monitored throughout the year via the Publica Performance Report, which details service outcomes against previous quarters. In addition, regular performance reports are produced to track the delivery of key providers and sub-contractors, supplemented by monthly meetings with portfolio holders to ensure commissioned services are performing effectively. Where underperformance has been identified, comprehensive reviews have been carried out and corrective action plans implemented.

The Council also actively monitors its waste collection contract with Ubico Limited to ensure that environmental service obligations are being met in line with contractual requirements.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness.

8. Recommendations

KEY:



Red - Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Amber - Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

Current Year Issues

Governance - Procurement	
 <i>Red</i>	
An investigation by CFEU into procurement arrangements during 2024/25 highlighted evidence of senior officers and an elected member involved in procurement being able to bypass/override the Council's procurement arrangements preventing the opportunity for effective challenge by appropriate statutory officers and elected members.	<u>Recommendation</u> The Council should urgently implement the recommendations made by the CFEU following its procurement investigation. It should also ensure that procurement arrangements are periodically reviewed, for example by Internal Audit, to ensure they are being followed appropriately and can demonstrate appropriate value for money. <u>Management comment</u> In response to the report's findings the Council has put in place an action plan outlining a number of measures to be taken to strengthen arrangements. These include mandatory procurement training for all senior staff, the provision of a procurement fraud toolkit for staff undertaking such activities and a development session for members. Progress against the action plan will be reported to the Audit and Governance Committee in April 2026. Arrangements will be periodically reviewed by Internal Audit.

Governance - Frequency of review of the strategic risk register	
The Audit and Governance Committee did not assess the Council strategic risk register between 29 September 2022 and 13 November 2023, despite meetings being held within this period.	<u>Prior year recommendation from Grant Thornton</u> We recommend the Council ensures that the strategic risk register is presented to the audit and Governance Committee quarterly. <u>Original Management comment</u> Audit and Governance Committee reviewed the strategic risk register at their meeting on 30 November 2023. The Council is currently considering improvements to the reporting of risk management including frequency updates to cabinet and Audit and Governance Committee to align with sector best practice. <u>2023/24 update</u> We note that the strategic risk register was reviewed in November 2023. However, the frequency of review remains annual. We concur with our predecessor auditors that more frequent review of the risk register is necessary for members to remain adequately appraised of the Council's strategic risks. While we have seen evidence that the Council is actively evolving its approach to risk reporting, this recommendation will remain outstanding for this year. <u>2024/25 update</u> While we have seen evidence that the Council is actively evolving its approach to risk reporting, including reviewing the risk management policy at the May 2025 Audit and Governance Committee, the strategic risk register was only reviewed once by the Committee in 2024/25, therefore this recommendation remains outstanding. <u>2024/25 Management comment</u> The strategic risk register will be reviewed at the December Audit and Governance Committee meeting and on a quarterly basis going forward.

Governance - Audit & Governance Committee – Self-assessment	
During 2023 the council has taken steps to enhance further that audits and Governance Committee arrangements by the recruitment of independent members. There is an opportunity for the committee to assess additional development needs through the completion of the self assessment and evaluation tool kit that performs part of the CIPFA guidance.	<u>Prior year recommendation from Grant Thornton</u> We recommend the council's conduct a self assessment exercise during 2024, in line with the CIPFA guidance, which will support the audit governance committee to evaluate its impact and identify areas for improvement. <u>Original Management comment</u> A self assessment exercise is currently underway and is due to be reported in July 2024. <u>2023/24 update</u> We have not yet seen evidence of the self-assessment exercise, which was due to complete after the financial year of which this report relates. Therefore, the recommendation remains unresolved. <u>2024/25 update</u> We have not yet seen evidence of the self-assessment exercise. Management have informed us that a self-assessment exercise will be undertaken and facilitated by SWAP during 2025/26. Therefore, the recommendation remains unresolved. <u>2024/25 Management comment</u> Subject to appropriate level of member engagement – a self-assessment exercise will be undertaken in 2025/26.

Improving economy efficiency and effectiveness - Reporting on Environmental Services Innovation Programme (ESIP)	
The activities of the ESIP could have implications for the type and level of service delivery commissioned through Ubico and have subsequent consequences to the Councils financial planning and financial sustainability.	<u>Prior Year recommendation from Grant Thornton</u> We recommend to the council provides an updated report, to those charged with governance, in respect of the environmental services innovation programme (ESIP), and related CTWG activity, and how this will: - Shape service delivery and impact future environmental services procurement - Impact the Council's financial planning We also recommend the report includes a road map of ESIP/CTWG activities and milestones including a proposed model of governance to ensure the effective oversight and to support transparency. <u>Original Management comment</u> The council ensure members are updated on environmental service improvement activities through the quarterly financial reporting to Cabinet which will include updates from CTWG. <u>2023/24 update</u> We have seen evidence of a financial update on the activities of Environment Services quarterly cabinet financial reporting, however these are light on the strategic and forward planning points recommended by the predecessor auditor. We therefore consider that the recommendation remains unresolved. <u>2024/25 update</u> With the Publica Phase 2 transition in July 2025 the status of ESIP has changed with contract management and financial performance responsibilities reverting to the Council. The Council is not reinvigorating ESIP. Therefore, we have concluded that this recommendation is no longer relevant.

Financial sustainability – Publica transition financial planning

In November 2023, the Council approved a Publica Review report including indicative costs and mitigation options for returning the majority of services to the Council.

When compiling the Budget, there was no clear transition plan in place to evidence the cost pressures of the transition period, including staffing costs and other implementation costs, which could cause uncertainty for the Council's finances.

Recommendation

The Council should closely monitor the costs of the transition period from Publica to in-house service delivery to ensure that it does not breach its MTFS position of a balanced budget. We note that subsequent to the financial year-end, management has put arrangements in place to monitor this more closely and we expect this recommendation to be resolved for 2024/25.

Original Management comment

The MTFS approved by Council in February 2024 set out the approach to due diligence and funding methodology. Council received reports on Phase 1 in March 2024 and July 2024 with the July report including an estimate of the one-off cost and enduring impact of the proposed changes. Cabinet have received regular updates through the quarterly financial reports and the Draft Budget 2025/26 and MTFS Update report in November 2024.

An update was provided to Council in February 2025 as part of the 2025/26 Revenue Budget.

2024/25 update

Cabinet has received regular updates through the quarterly financial reports throughout the year, the draft budget 2025/26 and MTFS update reports. We consider this matter resolved.



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