Cotswold District Council

Report of Internal Audit Activity

September 2025

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

Contents

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Internal Audit Definitions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **No**
- **Limited**
- **Reasonable**
- **Substantial**

● Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Internal Audit Definitions

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

- Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Counter Fraud and Enforcement Unit	Final Report	Low Substantial	1	-	-	1	Report Included
Operational	Leisure and Culture Facilities	Final Report	Mid Limited	4	2	1	1	Report Included
Key Financial Control	Payroll – Publica Controls	Final Report	Mid Substantial	0	-	-	-	Report Included
Key Financial Control	Payroll – Council Controls	Final Report	Mid Reasonable	0	-	1	-	Report Included
Governance	Data Retention	Draft Report						
Operational	Digital Exclusion	Draft Report						
ICT	Disaster Recovery – Revenues and Benefits	Draft Report						
Operational	Climate Change – Operational	In Progress						
Key Financial Control	Council Tax and NNDR	Ready to Start						
Key Financial Control	Housing Benefit and Council Tax Support	Ready to Start						
Governance	Business Continuity Plans (Services)	Initiated						
Follow-Up	Data Breaches / Protection	Initiated						
Operational	Disabled Facilities Grants	Initiated						
Key Financial Control	Bank Reconciliations	Initiated						

Audit Plan Progress

| Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Accounts Payable – Quarterly Review 2025/26	On Going						
Grant Certification	SWNZ Grant	Ready to Start						
Support	Business Grant Funding – Aged Debt	On Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Support / Advisory	Support to Publica Transition Programme Phase 2	Complete						
Advisory	Procurement and Commissioning Group	On Going						
Advisory	Health and Safety Working Group	On Going						
Advisory	Corporate Governance Group	On Going						
Support	Co-Ordination Team / Emergency Planning	On Going						
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							

The following are the Internal Audit reports, of each audit review finalised,
since the last Committee update

Counter Fraud and Enforcement Unit – Final Report – August 2025

Audit Objective	To provide assurance that robust controls are in place governing CFEU activity, including system access controls and reporting arrangements.

Executive Summary
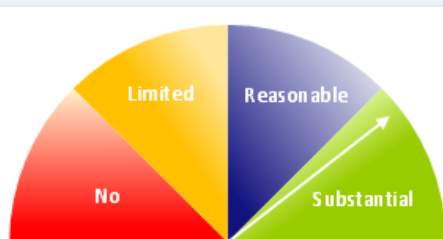
Assurance Opinion	Management Actions		Organisational Risk Assessment	Low
The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives.	Priority 1	0	Our audit work includes areas that we consider have a low organisational risk and potential impact.	
	Priority 2	0		
	Priority 3	1		
	Total	1		

Key Conclusions

The Investigation and Enforcement Manager monitors and reviews caseloads with CFEU Officers on a regular basis, this includes reference to the DTx system (case management system). At the point of case closure, the Client and Technical Support Manager reviews all DTx cases. We were advised that cases with missing notes, documents or field information are returned to the Officer for updating.

We observed one case where notes were not as comprehensive as expected – DTx showed no activity or notes for a significant period, and there was a lack of clarity in why actions had been taken. This could result in decisions made on incomplete or inaccurate information, which could have an adverse impact on the case. We were advised that the case was low priority, and the work had been halted, but that a note should have been placed on the file indicating this.

Access to Council systems is monitored and managed via a master spreadsheet maintained by the Client and Technical Support Manager. Whilst there were no concerns in the process, the officer acknowledged the spreadsheet was out of date and agreed to update it. Access to Council systems was not reviewed as part of this audit.

Since the audit, we were advised that the spreadsheet has been reviewed and updated, and an annual review is now diarised. Additionally, as part of the recent review, where access was no longer justified, it has been removed for certain staff members.

There are Counter Fraud and Enforcement policies and procedures in place. We were advised that the service is heavily regulated, and CFEU officers follow legislative requirements, for example when Officers request personal data.

There is an overarching CFEU Collaboration Agreement in place with all Partner Councils which has been agreed by relevant stakeholders including Member approval.

Audit Scope

There are 111 closed cases between 1 April 2024 and 25 February 2025. Audit tested 10 cases to ensure CFEU policies and procedures were followed. This included cases from Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, West Oxfordshire District Council and Publica.

The audit included a review of the following areas:
• Policies and Procedures for data management, sharing, and retention, etc.
• Management and administration of system access controls at each partner council
• CFEU case management system (DTx) access controls, and internal data recording and retention procedures
• CFEU Collaboration Agreement
• Reporting including verification of information presented to each partner audit committee

	On a bi-annual basis CFEU report to Partner Councils through Audit Committee meetings. The report includes details of reactive work, proactive work, successful prosecutions, Code of Conduct complaints, NFI matching, etc. The Head of Service also meets regularly with senior management, internal audit and is a member of council corporate governance groups.	

Other Observations

Testing of access to Council systems has not been thoroughly covered in this audit. However, a separate Council Systems Access audit planned as part of the 2025/26 audit plan will include this area and assurance provided in due course.

We were advised some case documents and records relating to proactive drives are held within the CFEU service shared drive rather than in the DTx system. While this data is safely secured, there may be records held beyond the data retention guidance. The Head of Service agreed this is a priority and out of date documents will be deleted from the shared drive and maintained going forward. Although, a formal action has not been agreed, regular review should be undertaken to ensure the integrity of records held.

The DTx case management system has a built-in control to manage the age of closed cases. However, expired cases cannot be sorted by date to indicate which need to be deleted, they need to be identified within the overall caseload list causing an unnecessary administrative burden. This is a system error and has been raised with DTx directly. We were advised that the Client and Technical Support Manager regularly checks for expired cases and deletes these accordingly. We were further advised that it is not appropriate to retain a record of what has been deleted, and therefore this element was not tested.

To summarise there are sound controls in place governing CFEU activity. The agreed action, observations above, and with regular 'administrative housekeeping' if implemented will further improve the current control environment.

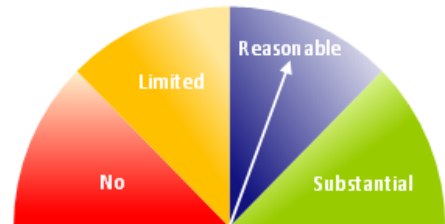# Payroll – Final Report – August 2025

Audit Objective	To provide assurance that the payroll system is operated in accordance with agreed policy/procedure and with the Financial Rules.

Executive Summary – Publica Payroll Controls – Processing Payroll

Assurance Opinion	Management Actions		Organisational Risk Assessment	Low
The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Priority 1	0	Our audit work includes areas that we consider have a low organisational risk and potential impact.	
	Priority 2	0		
	Priority 3	0		
	Total	0		

Executive Summary – Council Service Area Controls

Assurance Opinion	Management Actions		Organisational Risk Assessment	Low
The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives in the area audited.	Priority 1	0	Our audit work includes areas that we consider have a low organisational risk and potential impact.	
	Priority 2	1		
	Priority 3	0		
	Total	1		

Key Conclusions

Transactional Testing Mileage/Overtime/Expenses: Business World records evidenced claims have appropriate manager approvals and expense claims comply with Council policies. Mileage claims are calculated appropriately according to HMRC rates. But the details on the claims was not sufficient to confirm the miles claimed and so are not compliant with agreed policy. In addition, potentially fraudulent claims may go undetected.

Payroll processes undertaken by Publica: Payroll system data for starters, leavers, and variations is accurately maintained in Business World against personnel files. Employee records following the 1 November 2024 TUPE were accurately transferred from Publica to the Council's Business World records. Relevant mileage, expenses, and overtime payments up to 31 October 2024 were paid from Publica prior to records being closed.

Audit Scope

Our audit covered the period from January 2023 to March 2025. This included the TUPE of employees of 1 November 2024. Our testing reviewed the following:

- Records for starters, leavers, and variations in Business World to ensure timely accurate changes to the payroll were actioned and supported by appropriate records and approvals.
- Key control testing was undertaken to ensure:

	Payroll authorisations and BACs procedure: The BACs process is managed by Payroll Advisors with oversight from the Payroll Team Leader. Prior to the TUPE on 1 November 2024, payroll was authorised by the Publica HR Business Manager. Post TUPE, payroll reports are appropriately authorised by Section 151 officers.	- Independent review and approval of exception reporting - Timely clearing of Payroll Suspense transactions - Reconciliation processes Transactional testing of mileage, overtime, and expenses was actioned to assess accuracy and timeliness of data processing, including documented approvals and self-serve records in Business World. Approval and self-serve procedures.
	Key control testing: - Exception reporting testing evidenced appropriate Section 151 authorisation. - Clearing of suspense accounts is maintained regularly. Payroll reconciliation to the general ledger is a year-end electronic process.	

Other Relevant Information

We noted that expense receipts are not always viewable, and/or are not consistently held within the Business World (BW) system. Given BW does not allow expenses to be processed without receipts being attached to support the expenditure, we concluded that these must be held elsewhere within the system. Our testing evidenced these receipts are available in BW but not attached to the approval records, where one would expect to find them.

Furthermore, officers are not aware how to find receipts in the system. This could potentially impact the Council's ability to provide evidence to the HMRC (eg. VAT claims). We have reported this to the Publica BW System Administration team so that the issue can be resolved, necessary permissions granted, and guidance produced to ensure officers can access relevant documents.

To summarise, robust controls are operating within the Publica Payroll service for the processing of the payroll. The agreed action above relates to proper review and approval processes which should be undertaken by service managers as the accountable officers.

Leisure and Culture Facilities – Final Report – July 2025

Executive Summary

Assurance Opinion	Management Actions		Organisational Risk Assessment	High
The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.	Priority 1	2	Our audit work includes areas that we consider have a high organisational risk and potential significant impact.	
	Priority 2	1		
	Priority 3	1		
	Total	4		

Key Conclusions

	Audit Scope
Compliance Checks – The leisure service providers are responsible for managing compliance at the Council facilities and, as per the agreement, non-compliance should be reported to CDC. A sample of compliance information, including: • Electrical Compliance, • Fire Alarm Systems and Tests, • Sanitation and Cleanliness of equipment and areas, • Surveillance Equipment, • Safeguarding, • Legionella and Water Testing highlighted that non-compliance had not been reported to the Council. Officers are following up on the issues identified and plan to collaborate with other service areas to support with the future monitoring of compliance.	This review focussed on the following aspects of leisure and culture facilities: • Strategic Contract Management • Operational Compliance Assurance • Fire alarm systems and tests • Surveillance equipment • Sanitation and cleanliness of equipment and areas • Safeguarding considerations
Safeguarding Self-Assessment/Risk Assessment (RA) Check – The leisure service provider has safeguarding policies and procedures. However, we were unable to verify that a safeguarding self-assessment/risk assessment had been completed as required. Council officers have requested that the leisure service provider, drafts and produces, appropriate valid safeguarding assessments as per the contract and that anonymised copies of these are supplied for monitoring/review. Partner organisations have collaborated with their county's safeguarding partnerships to support with assessment. Gloucestershire has safeguarding partnerships that could potentially also be engaged to support CDC.	
Outstanding Security Recommendation – A security review was completed in 2023 for the culture facility to support museum accreditation. It has been highlighted that recommendations from the review remain outstanding / unactioned, which includes the replacement of end-of-life CCTV. Officers have recently been issued with a copy of the report and should use this to ensure the service provider actions the recommendations. The Operator has a quote from August 2023 for the replacement of the CCTV cameras which needs updating. As this as an issue from contract handover, the Council should consider funding this replacement.	

Council Contract Checks – There is a monitoring and reporting process in place but Council Officers have been unable to complete regular formal site inspections of the leisure and culture facilities since the commencement of the contract (August 2023), until a process was implemented in August 2024. Inspection reports identify good practice and make recommendations where improvements are required. Areas inspected include:

- Cleanliness and Tidiness
- Staff
- Environment
- Atmosphere
- Repairs and Maintenance

It is important that the inspection process continues, on a regular basis, to ensure CDC obtains assurance in these areas it requires.

The Leisure Contract Specialist demonstrated a detailed knowledge and understanding of CDC facilities and contract requirements. Regular formal meetings are held with the leisure provider to discuss performance information and strategic/operational issues. Evidence provided demonstrated that ad-hoc issues (e.g. specific complaints) can be escalated and addressed as necessary. It is critical that this continues as the monitoring of the leisure contract has now transferred into CDC.

Other Relevant Information

The leisure service provider operates the leisure and cultural services within the district, which includes dual use sites (school and leisure centre). Dual use arrangements should be reviewed to ensure compliance responsibilities are adequate, and non-compliance is being reported. We were unable to confirm how CCTV is managed in school owned facilities and Officers commented that there has previously been confusion on compliance responsibilities.

As the Property and Assets Service, and Leisure Contract Monitoring transferred back into the Council with effect 1st July 2025, there is an opportunity to collaborate, with the leisure service provider, more closely on managing compliance. This could also support preparations for Local Government Reorganisation.

Finding 1.	Action
<u>**Compliance Checks**</u> This audit included a sample check of compliance with service specification requirements. The leisure provider has contracted operational responsibility for the following areas checked: • **Electrical compliance** – We could not confirm all emergency lighting faults are rectified. • **Fire alarm systems and tests** – We noted that the paper-based forms for logging test results are not completed correctly and may require review. • **Surveillance equipment i.e. CCTV and the data recorded, processed and stored** – We were unable to confirm how the council ensures that the contractor is managing CCTV data in accordance with the contract specification. No information could be provided on how CCTV data is managed for the sites located in a school owned building. Additionally, there are outstanding recommendations highlighted in the security review reports to replace end-of-life CCTV cameras (there is a separate action to address this). • **Sanitation and cleanliness of equipment and areas** – No issues identified. • **Safeguarding considerations, for both vulnerable adults and children** – We have not been provided with example safeguarding Risk Assessments (there is a separate action to address this). • **Legionella and Water Testing** – Legionella testing is conducted by an independent service provider, and records are maintained. However, we have noted non satisfactory test results. The Council should be made aware of compliance issues by exception, but the issues identified had not been communicated. If the Council is not made aware of non-compliances, there is a risk that issues go unrectified potentially resulting is serious injury and/or financial & reputational damage. Officers are adding non-compliance issues as a standard agenda item for the monthly meetings with the leisure providers. As Property and Asset services coming back into the Council, there is an opportunity to collaborate more closely on managing compliance.	Officers will follow up with the leisure provider to ensure the non-compliance issues identified are addressed. Non-compliance will be added as a standard item on the monthly operations meeting with leisure providers. Discussions will be held with key Property and Estates Officers to establish a collaborative approach on compliance. **UPDATE SEPTEMBER 2025:** The Leisure & Culture Manager has provided evidence to demonstrate that the non-compliance issues identified have been addressed and that compliance is now a standard agenda item for meetings. Email calendars demonstrate that monthly meetings with the CDC Asset Manager for Property & regeneration have been stablished. Action complete.

Priority	1	**SWAP Reference**	AP#6245
Responsible Officers		Leisure & Culture Manager and Head of Economic Development & Communities	
Timescale		31st October 2025	

Finding 2.	Action
Safeguarding Self-Assessment/Risk Assessment (RA) Check Safeguarding self-assessments/RAs could not be verified during testing. The leisure provider's safeguarding policy and procedure provided contained the expected content, but a safeguarding assessment was not provided. Without regular safeguarding assessments there's a risk that safeguarding issues are not identified and addressed resulting in harm and reputational damage to the Council. It is therefore important for Officers to follow-up on this with the leisure providers to ensure appropriate safeguarding assessments are in place. Safeguarding assessment examples available to partner councils demonstrate collaboration with their county's safeguarding partnerships. Gloucestershire has a safeguarding children partnership and a safeguarding adults board that could potentially be engaged to support with ensuring appropriate assessments are in place.	Officers have followed up with leisure providers to verify completion of safeguarding self-assessments and risk assessments. The Partnership Manager will provide example documentation to demonstrate this. **UPDATE SEPTEMBER 2025:** Example documentation has been provided to demonstrate the completion of safeguarding assessments. Action complete.

Priority	1	**SWAP Reference**	AP#6336
Responsible Officer		Leisure & Culture Manager and Head of Economic Development & Communities	
Timescale		31st October 2025	

Finding 3.	Action
Outstanding Security Recommendation Security reviews completed in 2016 & 2023 to support museum accreditations were provided. An update from the Museum Curator confirms that there are outstanding recommendations from the 2023 review, which includes the replacement of end-of-life CCTV cameras. There is a risk of security vulnerabilities being exploited if security review recommendations are not addressed. **Officer Response:** *"Freedom Leisure have advised that they have on file a quote for the rectification works to be completed, but had identified this as an inherited issue from the previous contractor. CDC will therefore need to fund these replacements but had not been made aware of this at the contract handover."*	Develop and implement a plan to address outstanding security recommendations from the 2023 assessment to ensure the museum's security is up to date and effective. Replacing end-of-life CCTV cameras is a priority and a quote has been requested.

Priority	2	**SWAP Reference**	AP#6500
Responsible Officer		Leisure & Culture Manager and Head of Economic Development & Communities	
Timescale		31st December 2025	

Finding 4.	Action
Council Contract Checks There is a well-established monitoring and reporting process that has clear links to contracted outcomes. However, historical evidence of regular formal site inspections by Council Officers was not available as a process has only recently been implemented (August 2024). Copies of recently completed inspections were provided which demonstrated inspection of the following key performance aspects of the leisure contract (checks repeated by area): • Cleanliness & Tidiness • Staff • Environment • Atmosphere • Repairs & Maintenance Other checks are included on the inspection based on the area being inspected (e.g. lockers and appliances in wet changing facilities). Each check will be scored out of 5 where 1 is poor and 5 is great. Each area then receives an overall average score. The average score for each area is used as the overall score for the site inspection. The inspection example provided included comments and recommendations for the sites. A quarterly report is prepared based on 3 separate site inspections completed over the quarter. As this process has only recently been implemented, it's important that it continues to allow the Council to obtain their own assurance on leisure and culture facilities. This is even more pertinent given the Publica phase 2 transition bringing leisure & culture services back in-house and with LGR on the horizon. If an inspection process is not maintained, there's a risk that certain contractual obligations could be missed resulting in reputational damage to the council.	The Council's recently implemented site inspection and quarterly reporting process will continue to ensure the Council receives their own assurance on leisure and culture facilities. A full record of inspection will be maintained to demonstrate key performance areas are being monitored. Officers will review the inspection template to assess whether certain compliance checks can be incorporated (e.g. safeguarding risk assessment, CCTV operations, water testing).

Priority	3	SWAP Reference	AP#5822
Responsible Officer			Leisure & Culture Manager and Head of Economic Development & Communities
Timescale			31st March 2026