

Cotswold District Council

Report of Internal Audit Activity

April 2026

Contents

The contacts at SWAP in connection with this report are:

Lucy Cater

Assistant Director

Tel: 01285 623340

lucy.cater@swapaudit.co.uk

Jaina Mistry

Principal Auditor

Tel: 01285 623337

jaina.mistry@swapaudit.co.uk

Charlie Hartshorn-Powell

Principal Auditor

[charlie.hartshorn-](mailto:charlie.hartshorn-powell@swapaudit.co.uk)

[powell@swapaudit.co.uk](mailto:charlie.hartshorn-powell@swapaudit.co.uk)

- Contents:

Internal Audit Definitions

Audit Plan Progress

Finalised Audit Assignments

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.

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.



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.

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	Reported in September
Operational	Leisure and Culture Facilities	Final Report	Mid Limited	4	2	1	1	Reported in September
Key Financial Control	Payroll – Publica Controls	Final Report	Mid Substantial	0	-	-	-	Reported in September
Key Financial Control	Payroll – Council Controls	Final Report	Mid Reasonable	1	-	1	-	Reported in September
ICT	Disaster Recovery – Revenues and Benefits	Final Report	Low Substantial	0	-	-	-	Report Included
Follow-Up	Members’ Allowances	Final Report	N/A	0	-	-	-	Report Included
Governance	Data Retention	Final Report	Advisory	0	-	-	-	Report shared with SLT – Follow-Up audit planned for April 2026
Operational	Digital Exclusion	Final Report	Advisory	0	-	-	-	Report shared with SLT – Follow-Up audit planned for July 2026
Key Financial Control	Council Tax and NNDR	Final Report	High Reasonable	2	-	1	1	Report Included
Key Financial Control	Housing Benefit and Council Tax Support	Final Report	Mid Substantial	1	-	-	1	Report Included
Follow-Up	Data Breaches / Protection	Draft Report						
Key Financial Control	Bank Reconciliations	Draft Report						
Operational	Climate Change – Operational	Draft Report						
Operational	Bio-Diversity Net Gain	Ready to Start						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Governance	Health and Wellbeing	Ready to Start						
Governance	Business Continuity Plans (Services)	Deferred					Audit deferred to 2026/27 due to changes in process / templates	
Operational	Disabled Facilities Grants	Deferred					Audit deferred to 2026/27 due to timing	
Operational	Accounts Payable – Quarterly Review 2025/26	On Going	High Substantial				Report Included – Quarter 2	
Grant Certification	SWNZ Grant	Complete						
Support	Business Grant Funding – Aged Debt	Complete					Work concluded during March 2026	
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						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
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							

Summary of Audit Findings

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

ICT Disaster Recovery (Revenues and Benefits) – Final Report – October 2025

Audit Objective

To replicate an ICT disaster recovery (Revenues and Benefits service) scenario and provide assurance that Disaster Recovery arrangements are managed effectively.

Executive Summary

	Assurance Opinion	Management Actions		Organisational Risk Assessment	Medium
	<p>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.</p>	Priority 1	0	<p>Our audit work includes areas that we consider have a medium organisational risk and potential impact.</p>	
		Priority 2	0		
		Priority 3	0		
		Total	0		

Key Conclusions

	Key Conclusions	Audit Scope
	<p>Disaster Recovery Test: This test intends to replicate a disaster scenario where the Council’s physical servers are unavailable. Established criteria for a successful test this year is being able to fully recover and operate the Revenue & Benefits application for each of the 4 Councils in a secure cloud environment using cloud back-ups. Preparation is crucial for ensuring the cloud recovered applications do not interfere with the live applications hosted on the Council servers.</p>	<p>The audit includes:</p> <ul style="list-style-type: none"> • Test data insertion into the Council’s Revenues & Benefits systems prior to the test commencing. • Full walkthrough of the recovery process of the Council’s Revenues & Benefits system. • Confirmation that the data restored is accurate and data inserted in the on-premises system is present in the recovered system. <p>Scope exclusions: Service area plans are not included in this ICT review as they are audited separately.</p>
	<p>Challenges Encountered: When the recovery test started it was identified that some supporting systems were not starting as expected when mounted in Microsoft Azure (Cloud Computing Platform). This was tracked back to a recent change in the way Microsoft Azure handles recovered systems. It was decided, given that this was a test scenario, there was insufficient working hours’ time to complete the recovery so the test was rescheduled while a solution was identified and implemented. If this had happened in a real disaster it is estimated that this problem would have delayed recovery by approximately 6 hours. A permanent solution for this issue is now in place.</p> <p>The rescheduled test successfully navigated the issues from the first attempt and the recovery process began as expected. The team reconvened 48 hours later to allow sufficient time for data transfer and working hours. The necessary technical tasks were completed to bring the systems online allowing user access to the system. Screenshots were then obtained to demonstrate that test data was present in the recovered systems demonstrating system integrity.</p>	

Other Relevant Information

Senior ICT Officers have advised that the longer recovery times compared to last year's recovery test is due to the systems being approximately 4 times larger. A 48-hour window was allocated for this test, but it's important to note that recovery times will vary significantly depending on the nature of the disaster and the priority of systems requiring recovery.

Cyber incidents at neighbouring authorities have further demonstrated that borough and district Councils are targets for hackers. Officers see the threat of a cyber incident as a matter of when and not if. This is the main factor in assessing the Organisational Risk Assessment as "Medium".

Members' Allowances – Final Report – January 2026

Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the October 2024 limited opinion audit of members allowances & expenses report have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	1	0	0	1
Priority 2	0	1	0	1
Priority 3	0	0	0	0
Total	1	1	0	2

Follow Up Assessment

The original audit of CDC members allowances & expenses was completed in October 2024 and received a Limited assurance opinion.

The objective of the original audit was to provide assurance that allowances and expenses claimed by Members are in accordance with CDC's Constitution and HMRC guidelines.

The follow up audit has found 1 action has been completed and the other is in progress. Key findings from the audit follow up have been summarised below.

Key Findings



Budget Monitoring

An action to implement quarterly reconciliations and exception reporting to support the Democratic & Electoral service with budget monitoring was agreed during our previous audit. Year-end reconciliations are occurring and HR are updated with special allowance information following changes to member responsibilities. The Section 151 Officer is leading on improvements to the reporting that can be extracted from Business World to support service areas with their budget monitoring responsibilities.



Evidence of Expense Claims

Our previous audit concluded that not all member expense claims were supported by a valid receipt to demonstrate the expense and VAT values. Democratic Services issued an email to all members advising on a new process to be implemented from the 1st April 2025. Payroll provided several months of member expense data and we requested supporting evidence from Democratic Services. Whilst we note the improvements that have been made since our last audit, valid receipts and/or expense forms could not be provided for all expense claims paid and we were unable to match all mileage paid to available expense forms. A duplicate expense payment for parking and train fare was identified and Democratic Services have indicated that they are contacting payroll and the affected Councillor to recover the overpaid funds.

Observations and Next Steps

Our review identified member mileage incurred in August 2024 paid in May 2025. Full Council recently passed recommendations from the Independent Remuneration Panel to update the members allowance scheme 2023-27, this included the requirement for all expense and mileage claims to be made within 3 months of the date they were incurred. There was space for "checked/approved by" on the word version of the expense form which had not been used. Democratic Services Officers review and process mileage and expenses which is electronically captured on Business World. The expenses form also states that "*claims for allowances must be made within 2 months of the meeting or event*". The electronic version of the expense form has since been reviewed and updated in accordance with the updated allowance scheme to clarify that all claims must be made within 3 months. Officers have advised that these changes have also been applied to the word version of the expense form. Descriptions entered to process expenses and mileage in Business world could be significantly improved by ensuring the date the expense is incurred is included within the description. We will continue to monitor the open agreed action through to resolution.

Revenues and Benefits – Final Report – January 2026

Audit Objective

To ensure key financial system controls are operating effectively for Council Tax and NNDR, and that opportunities for error, fraud or corruption are minimised.

Assurance Opinion – Council Tax and NNDR



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.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	1
Priority 3	1
Total	2

Risk Assessment - Council Tax and NNDR

Our audit work includes areas that we consider have a low organisational risk and potential impact.

Low

Assurance Opinion – CTS and HB



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.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	1
Total	1

Risk Assessment - CTS and HB

Our audit work includes areas that we consider have a low organisational risk and potential impact.

Low

Key Conclusions



At the time of audit work (October 2025) 21% of the long-term empty Council Tax properties had been investigated to determine if a Council Tax premium needed to be applied. The Revenues Officer advised at the time of report writing (January 2026) she was still working through these accounts. The process of investigating and applying premiums will be reviewed to ensure all long-term empty Council Tax premiums are charged in a timely manner.



The 2 previously agreed actions from our 2024/25 audit of Council Tax and NNDR relating to resolving historical suspense account entries and regular monitoring of the Revenues suspense account (1 x priority 3 and 1 x priority 2) are still in progress.





Reporting of NNDR long-term empty buildings is not undertaken. Reporting of NNDR long-term empty listed buildings will be introduced to help Officers proactively monitor these exemptions.

Audit Scope

Discussions were held with Publica Revenues and Benefits Officers and evidence sought to support statements made. We reviewed the following.

- CTax/NNDR – Liability changes, and Discounts and Reliefs.
- HB & CTS – Quality Assurance and Business Continuity, and for FoDDC Only - Exceptional Support Fund.
- Key control testing – financial reconciliations and variance reporting.
- Follow up of previously agreed actions.

	<p>The Benefits Business Continuity plan was found to identify key functions, staffing requirements and was last updated in May 2025, but it has not been tested recently. Testing will be undertaken to ensure adherence to the Business Continuity Management Policy.</p>	<p>Sample testing was undertaken on a random sample of CTax and NNDR accounts, and HB and CTS claims to ensure they had been applied in accordance with procedure.</p>
	<p>CTax and NNDR</p> <ul style="list-style-type: none"> • We received satisfactory responses to all our CT liability testing queries. • Members voted to introduce the 2nd home premium prior to its introduction in April 2025. • Regular cash reconciliations are undertaken. • There is separation of duties when processing and authorising refunds. 	
	<p>HB and CTS</p> <ul style="list-style-type: none"> • Members have approved the 2024/25 CTS scheme. • Quality Assurance checks are undertaken on HB and CTS claims. • Evidence has been supplied to support reconciliations are undertaken. 	

Other Relevant Information.

The assurance we have given is specific to the areas we have reviewed this year.

At the time of audit work process / procedure documents were not supplied, however the Business Manager – Environmental, Welfare and Revenues advised some are available and that new starters shadow more experienced officers until they are experienced enough to undertake processes by themselves. As evidence is not required to support all changes to liabilities a note should be added to the account to record the reason for the change. There is a risk to future resilience due to a lack of complete and current procedure notes, and risk of potential fraud without evidence to support all changes to liability. However, we acknowledge that there is little value in raising an action to instate official policies/procedures at this time due to LGR. We suggest that consideration is given to whether it would add value to create process notes for all key tasks, or whether any are already in existence that are used by individual officers and could be shared. Benefit quality assurance processes also rely on experienced staff and informal guidance rather than formal documentation; this may impact future resilience.

Sample testing found 2 CDC accounts that had an old discount code applied so the 2nd homes premium had not been charged. These accounts have been updated, and the premium applied and backdated. We can confirm there are no other old discount codes applied to accounts within the NDR system.

Evidence has been supplied to support work is being done to trace ex-account holders and refund them, but there are still many closed accounts in credit. Analysis of closed Council Tax accounts in credit was undertaken in November 2024, and comparing this to the data provided for our 2025 audit we can report a 14% increase of the number of closed accounts in credit. To ensure the benefits outweigh costs to the service area, consideration should be given to how long these credits remain on the system and how long officers spend trying to trace account holders before credits are written on.

1 unexplained difference of £3,205.53 was found in CDC's Council Tax cash reconciliation in April 2025 relating to suspense account transfers. The Assurance Manager advised (January 2026) that they have a call in progress with Civica requesting that the financial control reports are updated to include all account movements in current and previous recovery years.

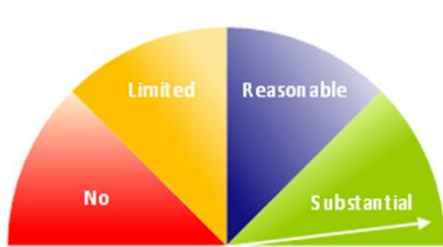
This is the 1st year of charging the 2nd home premium at all 3 Councils and we were advised processes are still being developed, but there is a risk all 2nd homes may not be identified as this relies on owners declaring this to the Council. The Business Manager – Environmental, Welfare and Revenues advised (November 2025) the CFEU are going to be undertaking a piece of work for them looking at 2nd homes in their 2026/27 plan.

Accounts Payable Continuous Analysis Quarter 2 – Final Report – March 2026

Audit Objective

To identify potential duplicate payments. To summarise and present any such payments to the Accounts Payable (AP) team for remedial action.

Executive Summary



Assurance Opinion

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.

Management Actions

Priority 1	0
Priority 2	0
Priority 3	0
Total	0

Organisational Risk Assessment

Low

Our audit work includes areas that we consider have a low organisational risk and potential impact.

Key Conclusions

Accounts Payable (AP) use Business World to process payments on behalf of partner organisations and Councils. We used BW to generate AP reports capturing payments to suppliers between 1st April 2025 and 30th September 2025.



A total of 90,160 lines of transactional data was analysed. We cleansed the data and applied conditional formatting to highlight potential duplicate transactions. These transactions were inspected to establish whether mitigating circumstances could be identified (e.g. credit note). 3 suspected duplicates with a potential overpayment value of £622.06 were forwarded to the AP team for further investigation. This represents <0.001% of the total payments analysed.

At the time of writing this report, all potential duplicates for 2025/26 Q1&2 have been resolved. However, AP are managing 1 unresolved payment totalling £126 from 2024/25. We will continue to monitor this through to resolution.

Audit Scope

Our review covers Q1 and Q2 of the 2025/26 Financial Year. We check for potential duplicate payments at Councils and organisations hosted on Business World. Findings have been summarised and reported to the Accounts Payable team, for further review and remedial action where necessary.

Next Steps

AP continue to work with officers and suppliers to rectify the unresolved duplicate transactions.

Our AP continuous duplicate payment analysis continues and potential duplicates for Q3 2025/26 have been forwarded to AP for further investigation. A separate report detailing Q3 conclusions will follow.

