

Cotswold District Council

Internal Audit Annual Opinion Report 2025/26

Internal Audit Annual Opinion – 2025/26: 'At a Glance'

Annual Opinion



We are pleased to offer Cotswold District Council a **Reasonable Assurance** for 2025/26
This assurance is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment

The Headlines

	Audits undertaken for Payroll - Publica Controls, Disaster Recovery - Revenues and Benefits, Data Breaches / Protection, and Accounts Payable - Quarterly Review resulted in Substantial Assurance with no agreed actions. This signifies that internal controls are operating effectively and being consistently applied in these areas.
	Significant risks were identified in the Data Retention Audit, and the Leisure Audit. The actions for both audits have been completed, with no actions outstanding.
	22 reviews delivered as part of the 2025/26 Internal Audit Plan. Includes assurance, advisory and follow up reviews, and specific audit support to the Council. We have 1 review at draft report stage, 4 audits are in progress, and 2 have been deferred.
	Internal Audit staff supporting the Council. Auditors continue to support the Council, by attending meetings, supporting projects and when necessary, conducting specific tasks for the Council.
	Agreed Actions Two agreed actions reported in 2024/25 remain open. Of the 12 actions agreed in 2025/26, 4 remain open.

Assurance Opinions	2024/25	2025/26
Substantial	5	7
Reasonable	6	2
Limited	1	1
No	0	0
Support to the Council	6	4
Grant Certification	1	1
Advisory	6	5
Follow-Up	1	2
Agreed Actions	2024/25	2025/26
Priority 1	3	4
Priority 2	12	3
Priority 3	8	5
Total	23	12



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Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.



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Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

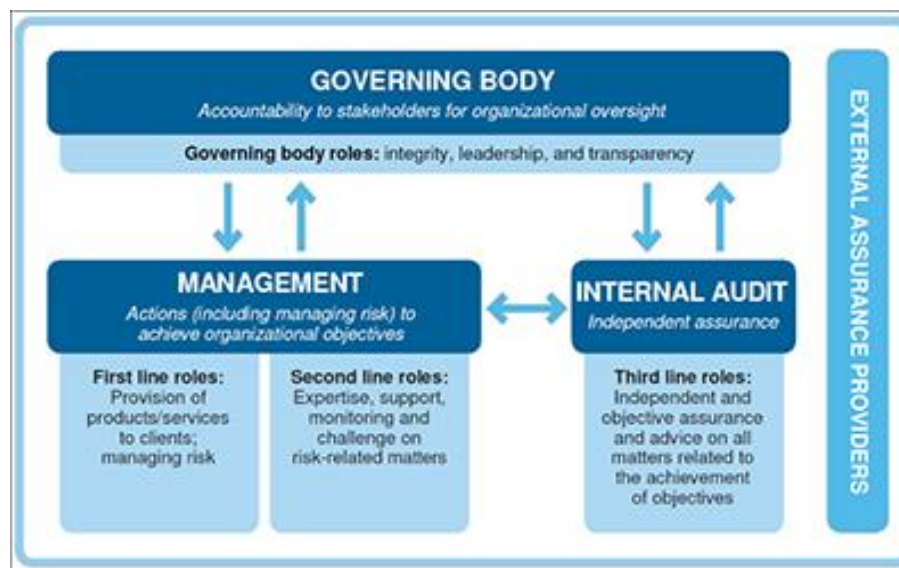


Background

The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services. The team's work for 2025/26 was completed to comply with the Global Internal Audit Standards and all other guidance recognised by the UK public Sector's Relevant Internal Audit Standards Setters. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2025/26 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



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Internal Audit Opinion 2025/26

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2025/26 audit work for Cotswold District Council, enhanced by the work of external agencies, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Audit work is planned to ensure that sufficient assurance will be available to inform the annual opinion as well as supporting the key priorities that underpin CDC's Corporate Plan (2024 – 2028):

- Deliver Good Services
- Responding to the Climate Emergency
- Delivering Housing
- Supporting Communities
- Supporting the Economy

Our audit work supports each of these priorities, and the actions that underpin the priorities, whether as an assurance audit, an advisory piece of work, ad hoc requests or support to the council.



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The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- *Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.*
- *Observations from consultancy / advisory support.*
- *Follow up of previous audit activity, including agreed actions.*
- *Grant certification work.*
- *Assurances from other key sources and providers, including third parties, regulator reports etc.*
- *Ongoing support and advice relating to the risks associated with payments administered following the pandemic.*

Alongside direct internal audit work, the HIA can also place reliance on:

- *Work and investigations undertaken by the Council's Counter Fraud and Enforcement Unit*
- *Updates and PSN certification undertaken by the Council's ICT Team*
- *Review undertaken by Business Manager – Corporate Responsibility on Mangers' Assurance Statements 2025/26*



Internal Audit Opinion 2025/26

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- *Business Continuity*
- *Continuous assurance*
- *Key financial audits*
- *Information governance and security*
- *Key front line services*

Furthermore the Head of Internal Audit, or member of the Audit Team is an attendee at the following meetings:

- *Procurement and Commissioning Group*
- *Health and Safety Working Group*
- *Corporate Governance Group*
- *Publica Transition / Workstream Meetings*



Summary of Audit Work 2025/26

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that relate to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit and Governance Committee's attention.

We identified significant weaknesses in the following audits:

Data Retention

- The Data Retention Policy and Schedule required updating.
- Data was not retained in accordance with Publica's retention schedule, or best practice and statutory requirements.

Leisure

- The leisure service provider is responsible for managing compliance at the Council facilities and, as per the agreement, non-compliance should be reported to CDC. A review of selected health and safety compliance areas identified non-compliances that had not been reported to the Council.
- The leisure service provider has safeguarding policies and procedures. However, we were unable to verify that an adequate safeguarding self-assessment/risk assessment had been completed as required

To ensure control weaknesses are being addressed we have continued to follow-up all agreed actions made in previous years audits as well as current year ones which have passed their implementation dates. The CFO receives a regular report of all agreed actions which can be followed up with Officers and Publica where appropriate. Two agreed actions reported in 2024/25 remain open. Of the 12 actions agreed in 2025/26, 4 remain open.

All audits, and progress against agreed actions, have been reported to the Audit and Governance Committee.



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Summary of Audit Work 2025/26

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

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.

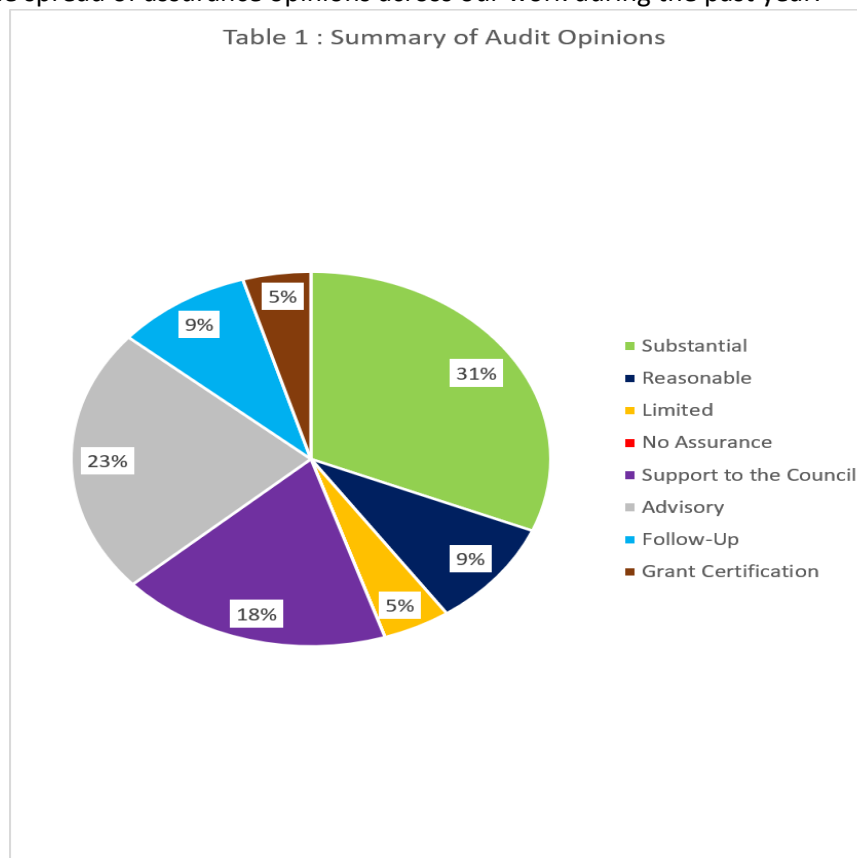


Summary of Audit Opinion

The following two charts summarise the audit opinions and audit work, and involvement, during 2025/26.

Table 1 indicates the spread of assurance opinions across our work during the past year.

Table 1 : Summary of Audit Opinions

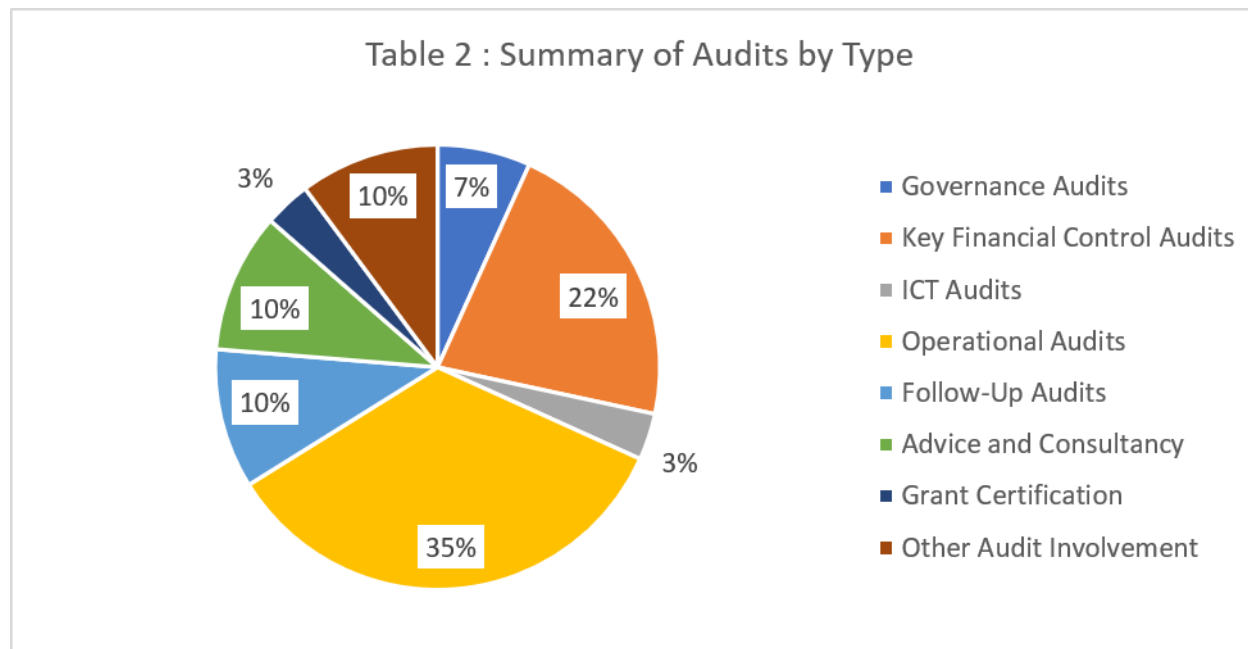


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Summary of Audit Work 2025/26

Table 2 indicates the audit work by type.



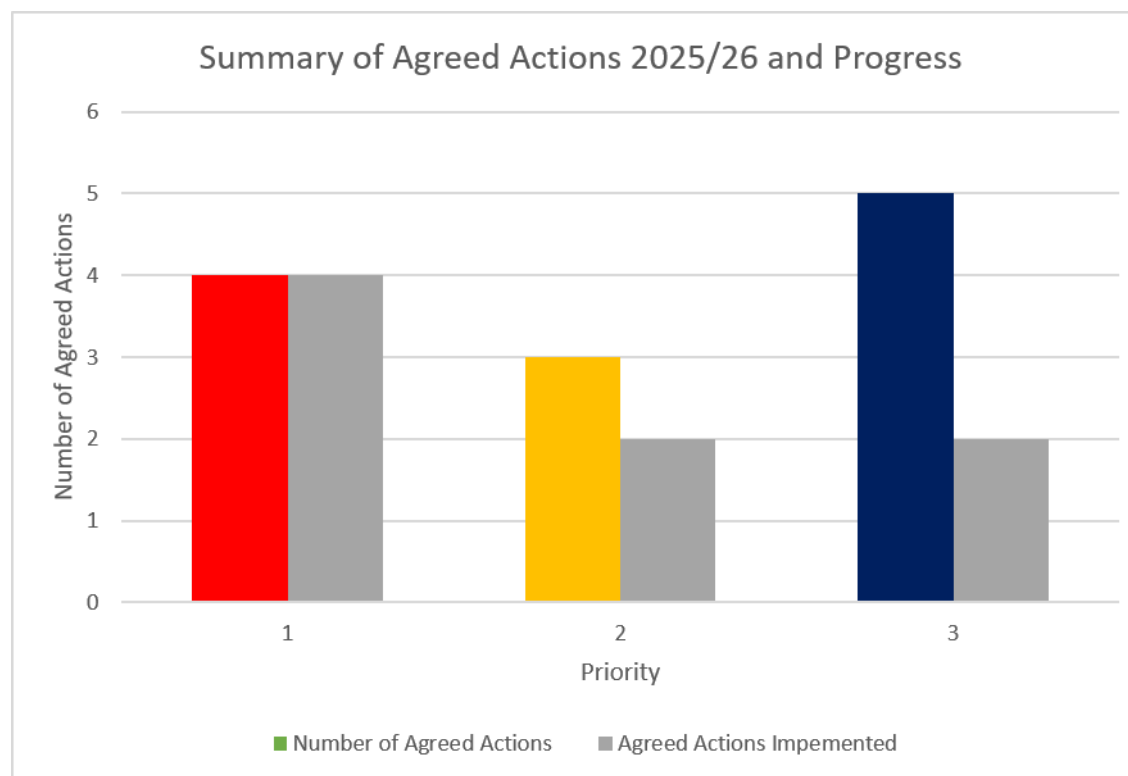
Summary of Audit Work 2025/26

SWAP Performance - Summary of Audit Actions by Priority

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Priority Actions



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Plan Performance 2025/26

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Corporate Groups

During the year we have attended a number of corporate groups to act as a 'critical friend'.

Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN). This data is useful for services to develop and improve their own systems and processes so that business objectives can be achieved with continually decreasing resources.

News Roundup

We produce a fortnightly newsletter that provides information on topical areas of interest for public sector bodies.

Client Liaison

The Auditors meet regularly with Service Managers to discuss potential operational risks and issues, identify areas for audits and plan up-coming audits.

Audit Protocol

We have an audit protocol which defines the role of the audit team and what is required for an audit. The aim of the protocol is to improve the audit process for our audit clients and to ensure we can deliver an excellent audit in an efficient and effective manner.



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Plan Performance 2025/26

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS)



SWAP Performance

In 2025/26 SWAP work was completed to comply with the the Global Internal Audit Standards plus the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government. The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was assessed in January 2025 and confirmed that we are in conformance to PSIAS. Members of the Committee have been provided with the full EQA report.

Standard 8.3 of the Global Internal Audit Standards requires Heads of Internal Audit to develop, implement and maintain a Quality Assurance and Improvement Programme (QA&IP) that covers all aspects of the internal audit function. The programme must include both internal and external assessments (Standards 8.4 and 12.1 respectively). This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have produced our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.



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Summary of Internal Audit Work 2025/26

Audit Type	Audit Area	Status	Opinion	No of Actions
2025/26 Finalised and Completed Reviews				
Operational	Counter Fraud and Enforcement Unit	Final Report	Low Substantial	1
Operational	Leisure and Culture Facilities	Final Report	Mid Limited	4
Key Financial Control	Payroll – Publica Controls	Final Report	Mid Substantial	0
Key Financial Control	Payroll – Council Controls	Final Report	Mid Reasonable	1
ICT	Disaster Recovery – Revenues and Benefits	Final Report	Low Substantial	0
Follow-Up	Members' Allowances	Final Report	N/A	0
Governance	Data Retention	Final Report	Advisory	2
Operational	Digital Exclusion	Final Report	Advisory	0
Key Financial Control	Council Tax and NNDR	Final Report	High Reasonable	2
Key Financial Control	Housing Benefit and Council Tax Support	Final Report	Mid Substantial	1
Key Financial Control	Bank Reconciliations	Final Report	Mid Substantial	1
Follow-Up	Data Breaches / Protection	Final Report	Mid Substantial	0
Key Financial Control	Accounts Payable – Quarterly Review 2025/26	Final Report	High Substantial	0
Grant Certification	SWNZ Grant	Complete	N/A	



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Summary of Internal Audit Work 2025/26

Audit Type	Audit Area	Status	Opinion	No of Actions
Support	Business Grant Funding – Aged Debt	Complete	Support to the Council	N/A
Follow-Up	Follow-Ups of Recommendations made in Substantial and Reasonable Audits	Complete	Follow-Up	N/A
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	Complete	Support to the Council	N/A
Other Audit Involvement	Management of the IA Function and Client Support	Complete	Support to the Council	N/A

Audit Type	Audit Area	Status	Comment
Draft Reports			
Operational	Climate Change – Operational		



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Summary of Internal Audit Work 2025/26

Audit Type	Audit Area	Status	Comment
Audits In Progress			
Operational	Bio-Diversity Net Gain		
Operational	Health and Wellbeing		
Operational	Income Streams (ERS)		
Operational	Building Control Regulatory Compliance		
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
Ongoing Audit Support / Involvement			
Support / Advisory	Support to Publica Transition Programme Phase 2		Support complete
Advisory	Procurement and Commissioning Group		Support complete for 2025/26, will continue into 2026/27
Advisory	Health and Safety Working Group		Support complete for 2025/26, will continue into 2026/27
Support	Co-Ordination Team / Emergency Planning		Support complete for 2025/26, will continue into 2026/27



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