

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Oxford City Council

2023/24

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SUMMARY OF 2023/24 WORK

Internal Audit 2023/24

This report details the work undertaken by internal audit for Oxford City Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- ▶ Planned Maintenance and Refurbishment
- ▶ Planning Services
- ▶ Empty Properties and Dwellings
- ▶ Accounts Receivable
- ▶ Recruitment and Retention
- ▶ Building Control
- ▶ Selective Licensing
- ▶ Data Analytics

We have detailed the opinions of each report and key findings on pages five to 11. Our internal audit work for the period from 1 April 2023 to 31 March 2024 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Board, through the Audit Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

Overall, we provide **moderate** assurance that there is a sound system of internal control designed to meet the Council's objectives and that controls are being applied consistently. However, some weakness in the design and/or inconsistent application of controls, put the achievement of particular objectives at risk. In forming our view we have taken into account that:

- ▶ The Council, reported the final outturn position a surplus of £3.903 million against the balanced budget agreed in February 2023. This outturn surplus was recommended to be transferred to the risk reserve, as the Council has become aware of substantial risks arising in the course of this financial year, notably from increased temporary accommodation spend.
- ▶ The Council have not implemented all recommendations due for 2021-22, a total of five medium priority recommendations remain outstanding for the Environment Audit. However, significant progress has been made against each recommendation and we anticipate these to be completed by September 2024. Recommendations raised in 2022-23 have been

completed apart from three high recommendations for Income Generation which are due to a new Asset Management system being implemented. The revised due dates for these recommendations have been agreed with management for September 2025.

- ▶ Our reports this year contained an opinion, including five with moderate assurance over design and effectiveness (Recruitment and Retention, Building Control, Selective Licensing, Data Analytics Planned Maintenance and Refurbishment) and three with a substantial assurance on control design and moderate assurance on control effectiveness (Planning Services, Empty Properties and Dwellings and Accounts Receivable). In comparison to last year there were two reports which contained substantial assurance over design effectiveness (Car Parking and Treasury Management) and two with limited assurance on both design and effectiveness (Income Generation and IT Audit). Overall, there has been a positive change on the control environment where no limited assurance opinions were issued despite the Council continuing to point us to high-risk areas. We are therefore comfortable in providing moderate assurance overall.
- ▶ The Council needs to achieve substantial assurance on both design and effectiveness on most of their audit reviews in 2024-25 to achieve a substantial opinion overall.

REVIEW OF 2023/24 WORK

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Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
Planned Maintenance and Refurbishment	-	3	1	Moderate	Moderate	<p><u>Conclusion</u></p> <p>Overall, the Council had robust controls in place in relation to Planned Maintenance and Refurbishment, however there were some exceptions that led to our conclusion of a Moderate control design and effectiveness.</p> <p>There was a clear, signed SLA between the Council and Oxford Direct Services (ODS) the Council's wholly-owned company, to supply building services to the Council. Planned projects were discussed in detail within the monthly Budget Management, Operational Management and Strategic Core Meetings which required the presence of both the Council and ODS, in which action plans were developed and tracked.</p> <p>However, weaknesses in the feedback received from tenants, quality of data on refurbished properties and maintenance of audit trails were identified.</p> <p><u>Key Findings</u></p> <ul style="list-style-type: none"> • Online feedback received from tenants via the Councils website was not collated into an action tracker and monitored accordingly. The annual survey undertaken by Acuity (outsourced provider) was not presented to the Core working group at the time of our review this does not provide the opportunity for lessons learnt to be identified from feedback (Finding 1 - Medium). • Data reported as part of the budget setting process was based on historical data that had not been validated and therefore could not be relied upon as part of the budget setting process. If data is not updated

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>and validated at least quarterly there is a risk budget forecasting is not accurate (Finding 2 - Medium).</p> <ul style="list-style-type: none"> From a sample of nine planned maintenance and refurbishment projects started and completed from January 2021 to July 2023 and noted there was a lack of information/evidence recorded for several projects in relation to variances, completion dates of projects, and we could not confirm whether a quality assessment was undertaken on the completed projects. A complete audit trail and independent quality assessments should be recorded (Finding 3 - Medium). The SLA between the Council and ODS has not been reviewed since 2018. The SLA is for a 25-year term and it is encouraged the SLA is reviewed periodically to reflect any business changes (Finding 4 - Low).
Planning Services	-	1	2	Substantial	Moderate	<p><u>Conclusion</u></p> <p>Overall, the Council had substantial controls in place to manage its planning function, including effective procedures for processing applications within statutory timescales. This is due to the Council's effective relationships with surrounding authorities and investigation of the housing needs of the local population and current capacity of the Council and its neighbouring authorities to meet demand.</p> <p>The Development Management Report offered effective management oversight however weaknesses were identified surrounding the governance of the Validation Strategy and Annual Service Plan as well as the transparency of Section 106 fee calculations.</p> <p><u>Key Findings</u></p> <ul style="list-style-type: none"> The Council did not have a breakdown of the calculation used to justify the value Section 106 contribution and therefore was not documented on the Planning Application Portal. In order to ensure the Council are applying a consistent fee calculation formula for Section 106

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
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						<p>agreements with developers this should be in place (Finding 1 - Medium).</p> <ul style="list-style-type: none"> The Validation Strategy and Annual Service Plan 2023-24 were approved verbally and therefore this review and approval has not been evidenced to ensure they are helping the Council achieve their goals. The Council does not have a policy that outlines the Ombudsman process and how such cases should be handled (Finding 2 - Low). From review of 11 planning applications we found one application was not approved within Uniform therefore the Planning Services Team should liaise with Uniform to assess whether the system can be reconfigured to ensure that applications cannot be progressed until sufficient approval has been recorded in the system and determine if there is a need for training for Planning Officers to ensure approval is recorded (Finding 3 - Low).
Empty Properties and Dwellings	-	1	1	Substantial	Moderate	<p><u>Conclusion</u></p> <p>A substantial control design was determined as the Council had controls in place to identify empty properties and dwellings and there was a robust approach and framework in the Housing, Homelessness and Rough Sleeping Strategy 2023 to 2028.</p> <p>As the Council had limited resource (financial and/or people) to obtain and restore properties through the legal route, the Council is in the initial stages of developing a partnership with Oxford University and Aspire Housing to help meet its target of empty houses being brought into use.</p> <p>Exceptions as to the effectiveness of the controls in place has resulted in a moderate control effectiveness opinion this could be aided by, improvements in cross departmental communication to enable operational efficiencies by reducing delays to decisions to be made.</p> <p><u>Key Findings</u></p>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<ul style="list-style-type: none"> The Council did not conduct a resource needs assessment, this is required to increase confidence in the delivery of more affordable housing in the future (Finding 1 - Medium). A cross-departmental working group was not in place to support collective and effective communication to enhance planning and commitment from Council resources to bringing empty properties into use (Finding 2 - Low).
Accounts Receivable	-	2	2	Substantial	Moderate	<p><u>Conclusion</u></p> <p>Overall, the Council was in a good position with regards to accounts receivable, due to appropriate controls in place for Agresso users in addition to the reporting provided to management on accounts receivable and the identified instance of Agresso correcting an invoice approver.</p> <p>Exceptions to the implantation of controls identified during the audit resulted in a moderate control effectiveness opinion. This was due to a lack of sufficient audit trails and notes recorded on Agresso for outstanding debt, policies and procedures requiring updating and a change in customer data amendments not being reviewed at least quarterly by management.</p> <p><u>Key Findings</u></p> <ul style="list-style-type: none"> From our sample testing of 20 debts we could not determine from Agresso when the first reminder letter was issued to the customer for three accounts and sufficient notes on the progress of the outstanding debt were not outlined within Agresso (Finding 1 - Medium). Management do not review the changes made to customer data on Agresso either through spot checks or a quarterly basis as recommended within our previous accounts receivable review (Finding 2 - Medium). Policies and procedures relating to accounts receivable are not up to date having been last reviewed in 2019 (Finding 3 - Low).

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
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						<ul style="list-style-type: none"> Three of our selected 16 samples for invoice raising did not show whether appropriate approval had been obtained (Finding 4 - Low).
Recruitment and Retention	-	5	1	Moderate	Moderate	<p><u>Conclusion</u></p> <p>Overall, the Council generally had appropriate controls in place leading to an opinion of Moderate Control design and effectiveness. This is due to an effective People Plan made up of six key objectives and actions to meet these objectives were identified and regularly monitored. Furthermore, sickness absence rates and exit survey results were monitored and reported upwards to the Corporate Management Team (CMT) identifying key themes.</p> <p>Exceptions to the controls in place prevented a substantial opinion included the Council having a lack of data to ensure vacant posts are filled in a timely manner and the ITrent system not being used efficiently for shortlisting candidates.</p> <p><u>Key Findings</u></p> <ul style="list-style-type: none"> The Recruitment and Selection Policy is out of date and does not outline the key stages of the recruitment process with corresponding timescales for completion (Finding One - Medium). There is no reporting to the CMT on key recruitment data metrics such as agency spend, vacant position and root cause of leaving, due to incomplete recruitment data on the ITrent System (Finding Two - Medium). From review of five new starters, evidence was not retained on the candidate files within the Idoxs system to verify whether pre-employment checks have been completed ahead of the start date (Finding Three - Medium). The ITrent system was not being used at its full capability within the recruitment process as the People Team manually intervene during shortlisting, resulting in delays in recruitment (Finding Four - Medium). There is a lack of detail on the Council's website on the recruitment process. The People Team are in the process of developing the

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						recruitment website pages but require further support from the Communication Team (Finding Five - Medium).
Building Control	-	3	1	Moderate	Moderate	<p><u>Conclusion</u></p> <p>Overall, there was a moderate control design and effectiveness due to adequate promotion of building control services on the Council website and a review of sample testing of building control applications noted that detailed inspection notes were uploaded within 24 hours of an inspection in line with policy.</p> <p>Exceptions that limited the robustness of controls included the low staff capacity reducing resilience of the team as staff absence could heavily impact customer waiting times. This also limits income generation opportunities as staff are currently stretched to cover the current applications. Outdated policies and procedures and a lack of internal training procedure also pose a risk of lack of awareness of legislative requirements.</p> <p><u>Key Findings</u></p> <ul style="list-style-type: none"> • Building control policies have not been updated since 2014-15 and are no longer reflective of current practises, they should be annually reviewed and approved by a relevant committee. From interviews with staff it was found that the current processes are not well communicated to define the responsibilities of each team (Finding 1 - Medium). • There are insufficient resources within the Building Control Team leading to lost income generation opportunities and staff often having to work overtime to reduce the backlog of applications. Using internal upskilling opportunities and strategies identified in the LGA Workforce Survey 2022 could reduce the risk to team resilience (Finding 2 - Medium). • A formal training plan is not in place to ensure the Building Control Team are regularly trained on the current processes and aware of new legislation (Finding 3 - Medium).

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
Selective Licensing		3		Moderate	Moderate	<p>We have concluded that the Council have a Moderate control design and Moderate control effectiveness for Selective Licencing.</p> <p>Control Design</p> <p>The control design is Moderate because the Council generally have a sound system of internal control designed to achieve system objectives with some exceptions noted:</p> <ul style="list-style-type: none"> The procedural guidance and training provided to the Applications Team who process Selective Licence Applications is adequate and from interviews with staff has been beneficial. The Council have also been proactive in promoting the Selective Licensing scheme and encouraging landlords to apply. However, HMO training for the Residential Regulations Team has not taken place since 2022 within our sample of 12 staff reviewed and a formal training needs analysis has not been undertaken since the start of the scheme. With the Selective Licence being new to the Council in 2022, formal training should have taken place every two years since its introduction. <p>We noted evidence of non-compliance with some controls, that may put some of the system objectives at risk and therefore a Moderate control effectiveness opinion has been issued over the Selective Licensing scheme. We have reached our conclusion due to the below:</p> <ul style="list-style-type: none"> From our testing of Selective Licence Applications, we found they have been charged and paid the correct fee, a decision was made using the appropriate evidence and checks by an authorised individual. However, the applications were not processed in a timely manner. Despite the employment of agency staff, the Council still have a large backlog of 6094 cases as of February 2024 which is forecasted to be cleared by the Council by October 2025 (17 months), however as of July 2024 the Council have taken the efficiencies created into consideration and expect the backlog to be cleared in nine months. <p>In addition, very few inspections have been undertaken to date, 3% of inspections have been undertaken (158/5028); whilst this is not a significant</p>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>issue for priority 4 level inspections, priority 1 and 2 inspections should be undertaken as soon as possible.</p> <p><u>Key Findings</u></p> <ul style="list-style-type: none"> The Council have completed inspections for 3% of the properties since September 2022, the Council are required to achieve a 60% inspection rate by the end of the Scheme October 2027. (Finding 1 - Medium) From a sample of 12 licences, applications are not being processed in a timely manner, taking an average of ten months between an application being received and a decision being made. As of February 2024, there was a backlog of 1375 new applications, resulting in a total backlog of all applications to 6094. (Finding 2 - Medium) HMO training was required to be completed twice yearly, although other forms of training were adhered to, HMO training has not been undertaken within the Council since 2022. In addition, a training needs analysis has not been undertaken to identify training requirements for staff within the team. (Finding 3 - Medium)
Data Analytics	1	1	2	Moderate	Moderate	<p>We have concluded that the Council have a Moderate control design and Moderate control effectiveness for Data Analytics.</p> <p><u>Control Design</u></p> <p>The control design is Moderate because the Council generally have a sound system of internal control designed to achieve system objectives with some exceptions noted:</p> <ul style="list-style-type: none"> ► Accounts Payable - Although there is clear guidance and policies available to review and manage purchase card transactions, we noted purchase card transactions were not reviewed and approved in a timely manner despite the expectation of transactions to be reviewed within one month from the transaction date resulting in large timelapses of over one year. <p><u>Control Effectiveness</u></p>

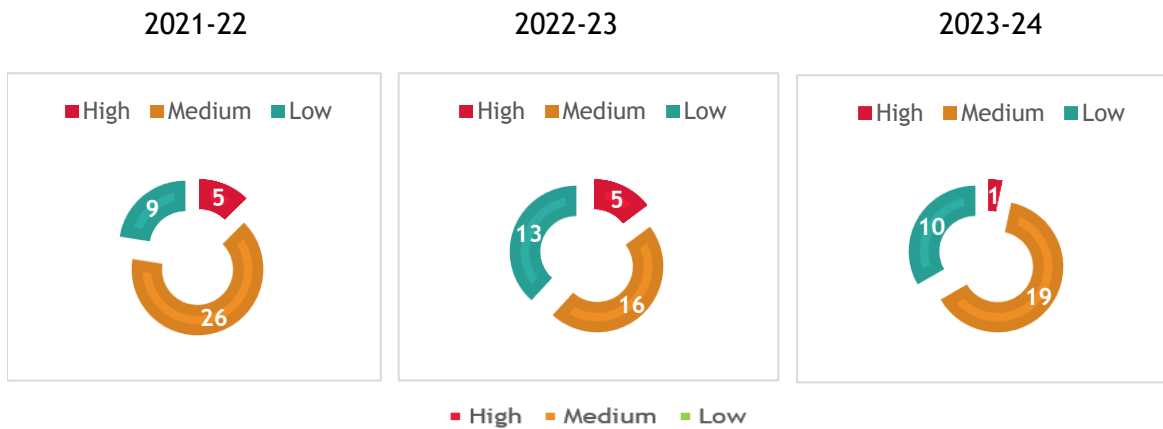
Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>We noted evidence of non-compliance with some controls, that may put some of the system objectives at risk and therefore a Moderate control effectiveness opinion has been issued over Data Analytics. We have reached our conclusion due to the below:</p> <ul style="list-style-type: none"> ▶ Accounts Receivable - The Council do not implement credit terms for accounts receivable and therefore once an invoice has been produced it is required to be paid. Our review identified a significant level of debt (£15.6m) that has been overdue for a number of years (oldest debt 2005), management have allocated officers to pursue the debt and this was evidenced as part of the investigation process of a sample of 30 overdue debt transactions. We have recommended management to cleanse the data that has been written off or no longer active and continue to pursue the debts that are feasible to recover. <p>This has led us to our opinion of Moderate assurance for both control design and operational effectiveness.</p> <p><u>Findings</u></p> <p><u>Accounts Receivable</u></p> <p>Extraction of outstanding debt owed by the customer.</p> <ul style="list-style-type: none"> • There were 5106 outstanding debts that were overdue, with a total value of £15.6m and average value of £3,052. On average these debts were 838 days old with the oldest debt being from March 2005 for the value of £1300. Within this data there were 1111 credits totalling £7.6m, therefore there were 3984 debts totalling £23m. We selected a random sample of 30 exceptions with a total value of £4.1m identified for the Council to investigate (Medium). <p><u>Accounts Payable</u></p>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>Extraction of purchase card transactions, detailing whether they have been reviewed and approved in a timely manner</p> <ul style="list-style-type: none"> Our testing identified 44 cases in which the purchase card expense had not been reviewed but was approved, these transactions had a gross value of £261,154 and average value of £5935. The average time lapse between the transaction date and approval was 62 days, with the longest time lapse being 196 days. 1090 transaction had not been reviewed or approved; these transactions were of total value £2,215,749. The transactions had an average value of £2033. 532 purchase card transactions were reviewed but were not approved; these transactions were of total value £175,478. The transactions had an average value of £330. In total 4581 purchase card transactions were made of total value £3,896,034 (High). <p>Where purchase cards were approved there was an average time lapse of 105 days with the longest lapse being 551 days (High).</p>

SUMMARY OF FINDINGS

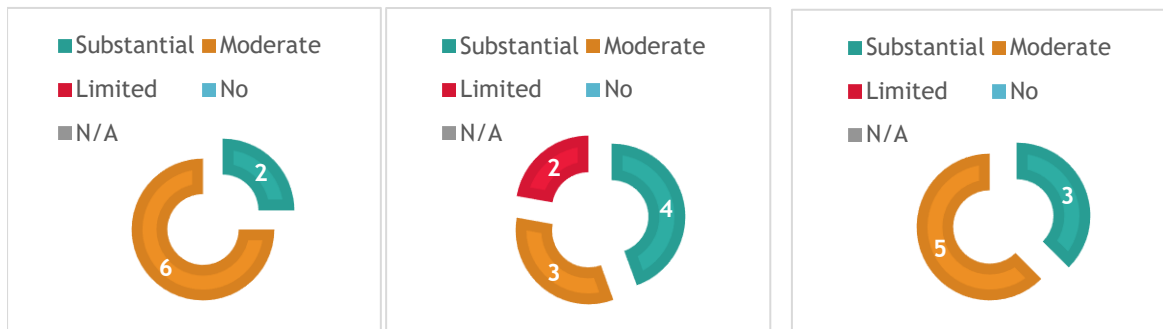
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations



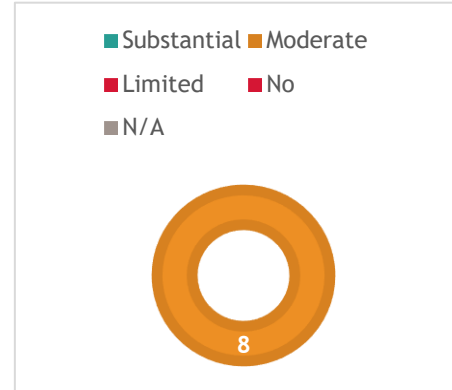
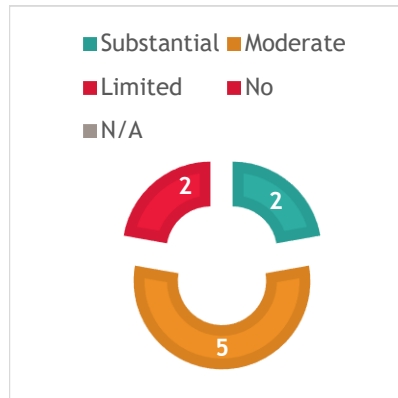
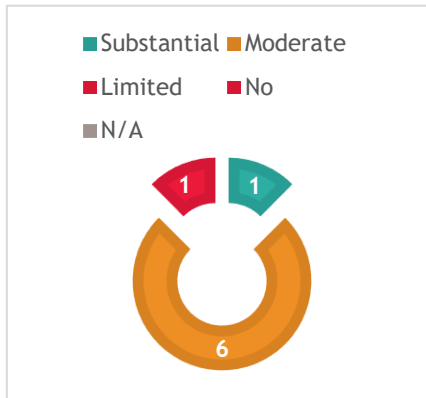
In 2023/24 there was a total of 30 recommendation issued to the Council comprising of one high, 19 medium and ten low recommendations. In comparison in 2022-23 there were a total of 34 recommendations issued five high, 16 medium and 13 low recommendations. Whilst the number of medium recommendations issued have remained the same there were no high recommendations issued indicating a positive change to the Council’s control system.

Control Design



In 2023/24 we issued three substantial and five moderate control design opinions. Most of the areas reviewed concluded there are appropriate controls designed to mitigate key risks. The Council continue to point us to high - risk areas eg Selective Licensing a new scheme undertaken by the Council and Empty Properties and Dwellings.

Operational Effectiveness



In 2023/24 there were eight moderate operational effectiveness opinions issued to the Council. In comparison to 2022-23 there was two substantial, five moderate and two limited opinions issued on effectiveness. Therefore, there has been a positive change on policy application within the Council.

ADDED VALUE



USE OF SPECIALISTS

We used data specialist to carry out the work on Data Analytics and used our BDO advantage tool to review 100% of the population within Payroll, Accounts Payable and Accounts Receivable. All our staff used on reviews are local authority specialists and work solely on public sector clients.



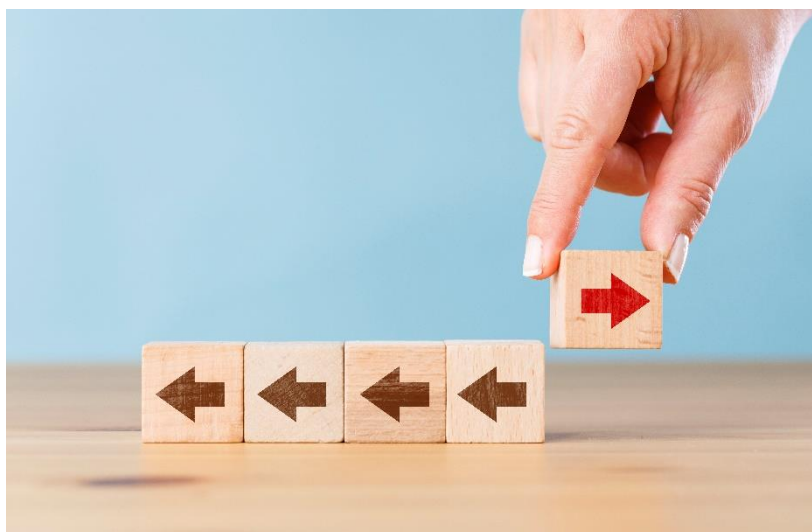
RESPONSIVENESS

We ensured that our audit approach was responsive to the Council's needs, adjusting audit timings to enable officers to balance our work with their existing responsibilities. We have ensured that the timings of our audits were convenient for the staff involved and we have adapted the audit scopes to reflect the changing priorities in the year.



BENCHMARKING AND BEST PRACTICE

We provide quarterly sector updates to the Audit and Governance Committee, have shared best practice on a number of audits, and issued Thought Leadership pieces as the 'BDO Global Risk Landscape' report.



KEY THEMES



PEOPLE

The Council welcomed our internal audits and provided us with strong levels of time and support during our reviews, whether delivered remotely or in-person. This demonstrates the organisation's positive approach towards internal audit and enhancing internal controls.



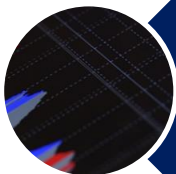
GOVERNANCE & STRUCTURES

Governance arrangements have been reviewed and changes made to reflect the Council's priorities and remit. These were largely robust, supporting effective monitoring of internal controls.



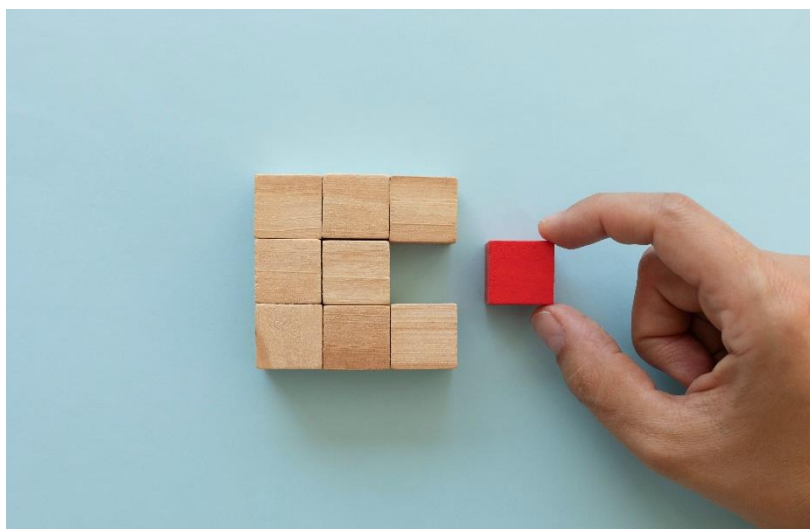
STRATEGIES & POLICIES

Strategies, Policies were often not up to date as had not been subject to periodic review and approval this was identified in the Building Control, Recruitment and Retention, Accounts Receivable and Planning Services audits. However, management were supportive of the recommendations we made.



SYSTEMS & PROCESSES

The Council has effective systems in place and processes were followed in some cases, however exceptions were noted resulting in the Moderate opinion issued.



BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Oxford City Council is to provide an opinion to the Council, through the Audit and Governance Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12-month period from 1 April 2023 to 31 March 2024 was carried out in accordance with the internal audit plan approved by the Operational Delivery Group and the Audit and Governance Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Audit Approach

We have reviewed the control policies and procedures employed by Oxford City Council to manage risks in business areas identified by management set out in the 2023/24 Internal Audit Annual Plan which has been approved by the Audit and Governance Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with the Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review.
- Reviewing the written policies and procedures and holding discussions with management to identify process controls.
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage.
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place.
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key contact responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management actions on our recommendations

A majority of Management were engaged with the internal audit process and provided considerable time to us during the fieldwork phases of our reviews, in some cases providing audit evidence promptly and allowing the reviews to proceed in a timely manner, including opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports.

Recommendations Follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

There has been some progress made on recommendations and those followed up during the year have broadly been engaged with well. However, some progression has been made in fully implementing the recommendations for the Environment audit review with five recommendations partially completed this review was undertaken in 2021-22. All 2022-23 recommendations are due to be reviewed as part of the follow up process. Completion of recommendations is broadly good with limited concerns at this stage.

Relationship with External Audit

All our final reports are available to the external auditors through the Audit and Governance Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

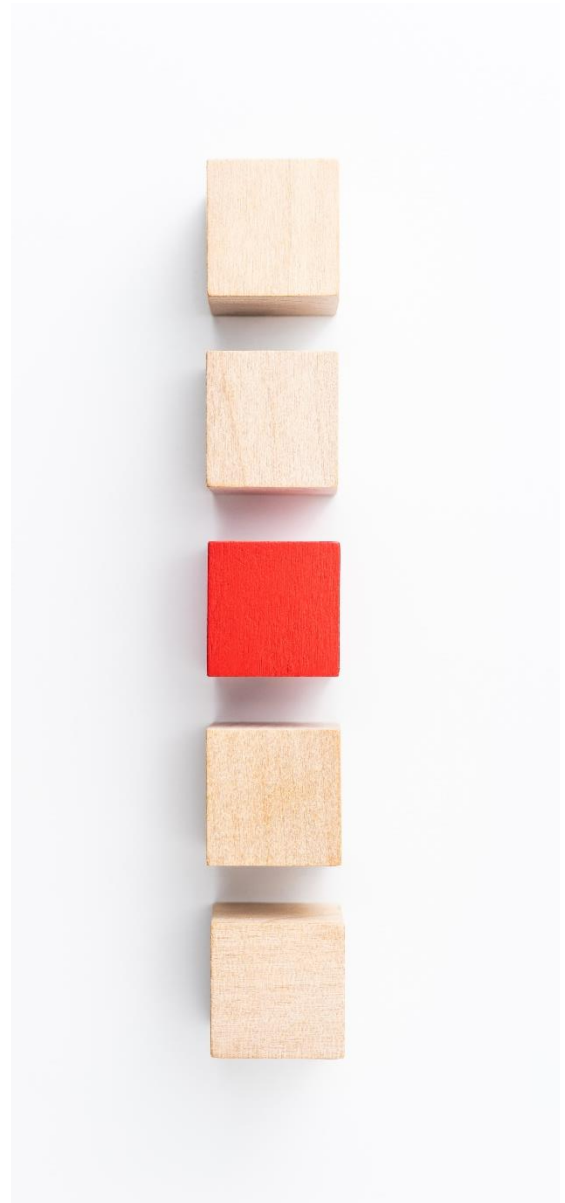
Report by BDO LLP to Oxford City Council

As the internal auditors of the Council we are required to provide the Audit and Governance Committee, and the Executive Leadership Team with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.







In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Oxford City Council with **Moderate Assurance** that there are no major weaknesses in the internal control system for the areas reviewed in 2023/24. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.



In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2023/24.
- Any follow-up action taken in respect of audits from previous periods for these audit areas.
- Whether any significant recommendations have not been accepted by management and the consequent risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Matters arising from previous internal audit reports to the Council.
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



KEY PERFORMANCE INDICATORS





INTERNAL AUDIT QUALITY ASSURANCE	NOTES	RAG RATING
Annual Audit Plan delivered in line with timetable and actual days are in accordance with Annual Audit Plan	The Internal Audit work completed to date has been completed to timescales.	
Customer satisfaction reports - overall score at average at least 3.5/5 for surveys issued at the end of each audit and annual survey to Audit Committee to achieve a score of at least 70%	We received no customer satisfaction survey responses for reviews undertaken in 2023-24. Therefore, we could not comment on our overall score. We will work with management to obtain customer satisfaction surveys in 2024-25.	
External audit can rely on the work undertaken by internal audit (where planned)	External Audit are aware of the control environment for the Council as part of the Audit and Governance Committee meetings	
At least 60% input from qualified staff	The internal audit work completed to date has been completed by qualified staff.	
Issuance of draft report within 3 weeks of fieldwork 'closing' meeting and finalise internal audit report 1 week after management responses to the report are received.	We have issued draft reports within 3 weeks of fieldwork 'closing' meeting and finalised internal audit reports within 1 week after receiving management responses.	
90% recommendations to be accepted by management and information is presented in the format requested by the customer.	All our recommendations made were accepted by management and we worked with the Auditees to present information in the format requested.	

QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including the Audit and Governance Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Partner or Audit Manager.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in June 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards We were subject to a BDO cold review and were issued with the highest score on the quality of our audit files.	

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

ANNUAL OPINION DEFINITION	
Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed, albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of noncompliance with some controls that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

FOR MORE INFORMATION:

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