



Statement from Lucy Walker, Chair of ODS Audit and Risk Committee (ARC) to Oxford City Council Audit and Governance Committee on 23 July 2025

Annual Audit Opinion and Internal Control Environment - ODS 24/25

- The external audit was carried out by Mazars during the summer of 2024. The Report and Accounts at 31 March 2024 were signed off by the Board in September 2024 with an unqualified audit opinion.
- The Internal Audit function for ODS has been provided by BDO throughout 2024/25. As in prior years, due to the size of the internal audit engagement undertaken, they were unwilling to offer an overall audit opinion for work they have undertaken for ODS.
- However, a new approach has been agreed between BDO, OCC and ODS for 25/26 which will remedy this position. It has been confirmed that from 25/26 there will be an overall annual audit opinion for the OCC Group (includes ODS) in addition to the OCC company only one already in place. For ODS, BDO have confirmed that they will issue a Head of Internal Audit Opinion that will be presented to the ODS Audit and Risk Committee that will be reflected within the OCC Group Opinion.
- To support this OCC's Section 151 Officer has worked with the ODS ARC to ensure that, where appropriate, audits are being carried out are from a Group perspective where appropriate to enable an end-to-end view.
- The following reviews were planned during the 24/25 year:
 - Payroll – Complete and discussed at the July ARC.
 - Key financial systems – Complete and discussed at the July ARC.
 - Project management – Complete and discussed at the July ARC.
 - Procurement and contract management – being finalised.
 - Conflicts of Interest – Deferred until October 2025 by the ARC.
- Getting to this position has proved to be quite painful with the Key Financial Systems audit and the Project Management audit being issued on 3rd July after ARC intervention to bring the reports to a conclusion. All the issued reports were examined by the ARC on 9th July with particular attention given to the Project Management audit.
- In the case of the Project Management audit the fieldwork commenced on 12 August 2024 but the report wasn't issued until 3 July 2025. This delay has been in part due to a lack of swift follow ups by management leading to field work taking longer than anticipated and then exacerbated by inadequate reviews taking place. This led to the report almost being finalised before it was spotted by senior management that

key processes and evidence were missing, hence more field work needed to be done starting the process again. It also led to the audit rating to be increased from Limited to Moderate. BDO assured ODS's ARC that the final rating was appropriate for the overall findings and in line with ratings given to other construction businesses that audit. Although the journey to completing the audit was difficult, we now have a clear set of actions and accountabilities in place with the follow up audit check requested for early autumn. Finding centre around a lack of clear oversight of projects, documentation not being in place, risk management arrangements not being in place and lack of self-reflection and learning from the prior projects.

- The Key Financial Systems audit has a Limited rating which centres around the formal agreements in place between OCC and ODS. SLAs were found to be out of date and in need of a refresh, communication channels being ineffective, and roles and responsibilities being unclear or undocumented. A joint piece of work is required to bring these up to date and plug gaps and lack of understanding between OCC and ODS. This was also very late in being released, on 8th July, fieldwork started on 27 January.
- The Payroll audit was Moderate, and had three findings which related to policies not being in place or up to date, overtime monitoring not being adequate and systems training needing to be undertaken.
- BDO have issued a draft Annual Report to the Chair of the ARC as their final report will be issued after the finalisation of the 2024/25 audit programme, i.e. the issue of the Procurement and Contract Management audit. However, BDO were comfortable issuing it in draft as the conclusions are highly unlikely to change.
- They have confirmed that the only overdue actions from the prior year are the Executive Pay proposals that have been still under discussion between OCC and ODS due to sensitivities about the impact on the overall Group. After lengthy discussions between OCC and ODS the Exec Pay Policy is now going forward to be agreed at the Shareholder Board in July. This will allow the final recommendations of the Audit to be concluded.
- Given some of the above challenges and issues the Audit Committee are able to give only a caveated assurance on the overall adequacy and effectiveness of ODS's governance, risk management, and system of internal control. The caveats are:
 - The final audit report, Procurement and Contract Management, has not been issued as at 9th July 2025, this is expected to be issued very soon and verbal confirmation of status will be given on the 23rd.
 - Delays in the Project Management audit point to a lack of effective engagement and understanding of the audit progress by ODS. This has been discussed with Management and clear expectations for the 2025/26 cycle have been set.
 - The Key Financial Systems audit was also issued very late.
 - A draft rather than a final, Annual Report has been received from BDO
 - SLAs around the timing of responses and finalisation of audits have not been met.
- The Chair of the ARC has regular 121s scheduled with BDO ahead of each future committee meeting to ensure that concerns are heard early with a view to avoiding a repeat of this year's delays.

Governance and Risk Management Assurance:

- Three new Non-Executives have been recruited at the end of the 24/25 year. A comprehensive induction programme was provided to bring the new Directors up to speed with the strategy, business plans and ways of working.
- New Terms of Reference have been introduced for both the Audit and Risk Committee and the Remuneration Committee and a new Chair elected to the ARC from the new NEDs.

Membership of these committees is as follows:

- Audit and Risk Committee
 - Lucy Walker – Chair
 - Cath Robinson
 - Tom Hook
- Remuneration Committee
 - Michael Whitwell – Chair
 - James Towner (to be appointed as Chair after Michael Whitwell's NED term ends in August 2025)
 - Cath Robinson
 - Tom Hook
- Ray Jones has been appointed the Board sponsor for Health and Safety
- Governance structures between OCC and ODS continue to be in place and allow for oversight by officers and members. ODS Non-Executive Directors attend all JVSHC meetings.
- Executive Pay Policy documents have been redrafted to address the issues raised in the previous Executive Pay audit concerning communication with, and oversight by, the shareholder. Following review by OCC and comments received a new draft was signed off by ODS's Board on 8th July which will be put to OCC for final approval at the next SHJVC on 24th July.
- The ODS Audit & Risk Committee is well established and has met up to 6 times per year since inception and has a comprehensive work programme. The new Chair has had time to review the new terms of reference and meeting cadence and is satisfied with the new position.
- The new Chair recommended two changes in taking up her post to improve the function of the ARC.
 - The first being that there is an annual deep dive into an area of risk. The first took place at the ARC meeting on 9th July. The first topic was health and safety, Martin Shields presented the main areas of risk and the control environment that exists to mitigate those risks. Ray Jones also attended as the Board's new health and safety sponsor.

- The second recommended change is that finalised Internal Audit reports are issued to the committee at the same time they are issued to the executive team. This helps the NEDs to maintain independent oversight and ensures that if there are any high-risk findings that need immediate attention the committee is aware in a timely fashion via BDO. Previously the reports were issued as part of the audit committee papers just prior to the meetings. This is especially pertinent given the delays experienced during the 2024/25 cycle.
- To ensure adequate time for oversight, the ARC has added standing agenda items to examine at each meeting, these were considered at previous meetings but in a more ad hoc manner.
 - The risk register and framework
 - New and ongoing legal cases
 - Changes/ refreshes of policies
- The ODS Executive Team undertake an annual review of the management of risk always with a view to make improvements. For this year their focus is as follows, which will play into ARC activities:
 - Strengthening the Three Lines of Defence model within corporate governance.
 - Conducting regular deep dives into service-level risk registers to drive accountability and action through Directorate Meetings.
 - Hosting quarterly peer review sessions to improve oversight, foster cross-functional collaboration, and standardise risk practices.
 - Refining the 2025/2026 risk management strategy to ensure alignment with strategic objectives
- The recent cyber-attack on our shared computer systems has tested ODS's business continuity plan. As part of the new ARC Chair's induction, time was spent considering the adequacy of the business continuity plan via discussions with staff and reading the document and was reassured that there was a comprehensive plan that key personnel knew how to implement. This has proved to be the case as, whilst painful at times, the business has been able to carry on around various system being taken out of action. The Deputy Chief Executive of OCC with responsibility has committed to share the lessons learnt report with the ODS ARC which will allow further insight into the issue and ensure we can mitigate this risk as much as possible for ODS in the future. An ARC review of our response to the incident and lessons learnt is also planned for later this year.
- Accreditations
 - ISO9001 quality management system accreditation maintained.
 - ISO14001 environmental management system accreditation maintained.
 - ISO45001 health and safety system accreditation maintained.
- As well as ISO accreditations, ODS also holds the following:
 - Safecontractor (ODSTL)
 - ConstructionLine Gold
 - PAS 2020, Gas Safe and NICEIC (Building Services)

- Cyber Essentials
- Successful BMTrada audit relating to fire doors.
- In addition, ODS is using DocuSign to give governance around important policies, so it gives the organisation control over and some assurance over corporate matters.
- As is typical every year and as part of the Quality Assurance Framework, all areas of the business reviewed their ISO modules which included legislation and environmental compliance, successfully retained accreditation with only a handful of minor non-conformities identified. All areas of ODS have audits based on their risk profile each year and in addition there were 8 days of external audit by BMTrada. All actions from these audits are recorded on a tracker and monitored to closure.
- The Board continues to receive monitoring updates on H&S at every Board meeting and monthly between meetings.

Internal Control Assurance

- The new Chair has established a positive working relationship with BDO and meets independently with them to understand progress as well as what works well and what doesn't.
- BDO report also having a positive working relationship with management and a respectful relationship exists between the two.
- ODS can improve the speed and quality of the audits by ensuring that team members involved in audits are well briefed about what is required and why the audit is being carried out and help with what evidence is needed to bring issues to resolution.

Looking ahead

- The ODS Board have agreed the following internal audits for 25/26:
 - Waste Management
 - Cyber Security
 - Health and Safety (Gas and electrical compliance)
 - GDPR
 - Client and Commissioning
 - Conflicts of Interest (carried forward from 24/25)
- This position was reached following joint meetings with OCC and BDO ensures that where there is cross-over and consultation requirements between our organisations these are appropriately managed. OCC's Section 151 Officer has also engaged with the ODS Audit and Risk Committee to ensure that group audits are managed in an end-to-end manner and requested that the Client and Commissioning audit be a joint audit to give an end-to-end view which was agreed by ODS.

- The most recent ARC meeting on 9th July the Committee considered the following topics;
 - Health and Safety deep dive
 - Internal Audit progress
 - Completed Internal Audit reviews for Payroll, Key Financial Systems and Project Management
 - Policy updates – Conflicts of Interest, Expenses and the Modern Slavery statement
 - External Audit update
 - Going concern review

- Further out, topics included on the future agenda are;
 - Report and Annual Accounts review – September
 - Annual Report from BDO - September
 - Going Concern of ODSL and ODSTL - September
 - Dividend proposal – September
 - Consideration of training for members of the Committee - September
 - Whistleblowing and Fraud Monitoring Report annual update - November
 - Conflicts of Interests Monitoring Report annual update - November
 - Plan the Committee’s Annual Effectiveness review - November
 - Annual Review of the Committee’s Terms of Reference – November
 - A review of the effectiveness of ODS’s Business Continuity Plan following the cyber attack - tbc

Lucy Walker
Chair of ODS Audit Committee