OXFORD CITY COUNCIL
INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

2024/25

IDEAS | PEOPLE | TRUST

CONTENTS

EXECUTIVE SUMMARY

Internal Audit 2024/25

This report details the work undertaken by internal audit for Oxford City Council ('the 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:

- Risk Maturity
- Homelessness Prevention
- Fire Risk Assessments (Specialist Advice)
- Accounts Payable
- GDPR and high level Freedom of Information
- Data Analytics
- Affordable Housing – Project Management
- QL Optimisation (Draft)
- Income Generation (Draft)

We have detailed the opinions of each report and key findings on pages three to twelve. Our internal audit work for the period 1 April 2024 to 31 March 2025 was carried out in accordance with the internal audit plan approved by management and the Audit and Governance 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 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. 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:

- An assessment of the design and operation of the underpinning risk management processes
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year; this assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses
- Any reliance that is being place upon third party assurance.

Overall, we provide **Moderate** assurance that there is a sound system of internal controls, designed to meet the Council's objectives, that controls are being applied consistently across various services, with some levels of non-compliance.

In forming our view, we have taken into account that:

- We completed a total of nine reviews (seven assurance audits and two advisory reviews). Across the internal audit reviews, we provided mostly Moderate assurance over the design of controls and/or the control effectiveness. There were two reviews where we provided Substantial assurance for the control design, but also one review where we provided Limited assurance. There was one review where we provided Substantial assurance for the control effectiveness.
- There has been prompt implementation of audit recommendations, with most recommendations implemented by the initial due date however, there is improvement to be made with prompt

completion of recommendations.

- There has been positive engagement with internal audit by the senior management team, demonstrating a desire to enhancing internal controls, governance and risk management processes. This is despite a backdrop of increasing challenges on resources for local authorities, compounded by other demands that have impacted capacity of staff (such as managing the electoral pressures of a General Election). Staff have endeavoured to provide our Internal Audit Team with availability to support the delivery of our reviews.
- There has been a consistency in the senior management team which supports the organisational stability. There has been a similar stability on the Audit and Governance Committee who have sought to further improve and develop governance during the year.
- We do note that the Council's external auditors have issued a 'disclaimed opinion' on its Statement of Accounts for the Year-Ended 31 March 2024 in line with many other local authorities.

REVIEW OF 2024/25 WORK

<table>
<tr><th rowspan="2">Report Issued</th><th colspan="3">Recommendations and significance</th><th colspan="2">Overall Report Conclusions (see Appendix I)</th><th rowspan="2">Conclusion and Summary of Key Findings</th></tr>
<tr><th>H</th><th>M</th><th>L</th><th>Design</th><th>Operational Effectiveness</th></tr>
<tr><td>Risk Maturity</td><td>-</td><td>4</td><td>1</td><td colspan="2">Advisory Report</td><td>We assess the Council’s level of maturity regarding its risk management systems. This includes an assessment of Risk Governance, Risk Assessment, Risk mitigation, Monitoring and Reporting and Continuous Improvement, assessing each element on a 5 point scale from Naïve to Enabled. This is an advisory report, so no overall opinions are provided for control design or effectiveness.

<u>Conclusion</u>

Overall, the Council have taken the initial steps to implement and embed an effective risk culture. This includes the implementation of a risk management strategy which clearly outlines how risks should be rated, the risk management group which can provide oversight to service registers and regular reporting to the Audit and Governance Committee and as the Cabinet. In February 2025, the Council was due to meet with Heads of Services and updating their corporate risk register to align it to its Corporate Priorities 2024-28.

We identified key areas where work must be undertaken to ensure that the approach to risk across the Council is uniform and that the governance of risk can be effective. These areas related to the documentation of risks and actions within both the service and corporate risk registers, having a formal risk appetite statement in place, and the implementation of training and KPIs to provide assurance on risk management.

We summarised below the current and target maturity levels, based on our work performed and a realistic trajectory of progress for the Council.

<table><tr><th></th><th>Governance</th><th>Risk Assessment</th><th>Risk Mitigation</th><th>Reporting and Review</th><th>Continuous Improvement</th></tr><tr><td>Current</td><td>Defined</td><td>Defined</td><td>Aware</td><td>Aware</td><td>Aware</td></tr><tr><td>Target</td><td>Managed</td><td>Managed</td><td>Defined</td><td>Defined</td><td>Defined</td></tr></table></td></tr>
</table>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						Findings ▸ From our review of the corporate and service risk registers, we found that risk descriptions, causes and consequences are not always sufficiently detailed. It was also identified that risks are not categorised or linked within the risk register to the Councils corporate priorities as outlined in their strategy. ▸ We found that the risk appetite of the organisation is not clearly defined and its relation to risk tolerance not adequately detailed. It was also found that service areas do not have specific risk appetites in place. ▸ The actions and controls listed in the corporate and service risk registers are not always SMART and have been updated inconsistently. For instance, action owners are listed who have left the organisation, progress updates have not been consistently provided, actions are still listed dating back to 2017 and descriptions are often limited. ▸ Service area risk registers were not reviewed on a consistent basis by the Councils Risk Management Group. Overall, five risk registers were reviewed since November 2022. Furthermore, the Risk Management Groups TOR requires updating as it was last reviewed and updated in February 2020.
Homelessness Prevention	-	3	1	Moderate	Moderate	The purpose of the audit was to assess the effectiveness of controls in place in relation to homelessness prevention and assess whether the Council have arrangements to support the homeless to secure accommodation in line with the Homeless Reduction Act 2017. Conclusion We concluded that the Council has a Moderate design and effectiveness of controls for managing its Homelessness Prevention services. The control design was Moderate because while there was generally a sound system of internal controls designed to achieve system objectives, there were some exceptions. The Council were yet to establish formal contracts with accommodation providers for temporary housing particularly with their largest temporary accommodation provider - Easy Hotel. A Temporary Accommodation framework had been approved by Cabinet in July 2024 and the Council are now working with temporary accommodation providers to enable them to submit a tender proposal to be included on the new framework.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						The control effectiveness was Moderate as there was evidence of non compliance with some controls, that may put some of the system objectives at risk. This opinion was principally driven by the significant delays in completing PHPs, with most sampled cases completed outside of the three-day timescale as specified within the Council guidelines. Also, the incomplete and inaccurate information entered on the QL system for tenants residing in temporary accommodation between March 2024 to October 2024 had led to housing benefits claims forgone of circa £112k. Continued collaborative working and system integration between the QL and Civica systems would be beneficial to enable a more seamless process for housing benefit claims. <u>Findings</u> ▸ The Housing Benefit subsidy only allows the Council to recover 27% of their current temporary accommodation costs leaving the Council in a £1.3m. deficit as of November 2024. This has been factored into forecasting and the Council's annual budget setting process. Inaccurate and incomplete data entry within the QL system for some homeless individuals has meant the Council could not make housing benefit claims for every applicant rehoused by the Council. This has resulted in rent arrears of £112k (January 2025). While recent improvements have been made, the incomplete data entry, surge in applications, resourcing constraints and a lack of seamless integration between the QL system and Housing Benefit Civica system, has led to the above exception. ▸ Significant delays in completing PHPs, with five out of ten sampled cases reporting a completion time ranging from 23 to 74 days after accepting the prevention duty. Although this is beyond the three days prescribed within the guidelines, the Council use a local turnaround target of 21-days for receipt of documents from applicants. Despite this, the above timeframes exceed both of these targets. This delay could reduce the effectiveness of homelessness prevention interventions by not establishing agreed actions early in the prevention period. ▸ The Council lacks formal contractual arrangements with hotel providers for temporary accommodation, currently relying on basic booking terms and informal agreements. While some cost control measures exist through negotiated room rates and block bookings the absence of formal agreements, limits the Council's ability to enforce room rates and service standards effectively.
Fire Risk Assessments -	-	2	-	Advisory Report		The purpose of our work was to evaluate the quality of FRAs conducted by the contractors. Additionally, we sought to conclude on the classification of Plough House

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
Specialist Advise						and Bridge Cross to determine if they met the high-rise requirements defined under the Fire Safety (England) Regulations 2022. This is an advisory report, so no overall opinions are provided for control design or effectiveness. Summary of Observations **Subcontracting by BrightHeat:** BrightHeat subcontracted 217 fire risk assessments to Guardian Consultancy Services, who further subcontracted to Hawk Fire Safety Services and VM Fire Safety Services. We reviewed four FRAs and found no issues with quality, but there was no appropriate review by a responsible individual (under the Fire Safety Act is a person designated to ensure that fire safety measures are in place and maintained, and that all relevant fire safety regulations are complied with). BrightHeat and its subcontractors were not found on relevant fire safety registers, and one inspector falsely claimed IFSM registration. **Requirement to Perform Type 3 Fire Risk Assessments:** OCC had only conducted Type 1 FRAs, which assess common areas. Recent legislation requires more detailed Type 3 assessments for high-risk site. There was no centralised register of FRA results i.e. moderate risk, in order to quantify the impact of this change in regulation.
Accounts Payable	-	4	3	Moderate	Moderate	We review the Council's main financial systems on a cyclical basis as part of our core assurance. The focus of this review was accounts payable. The purpose of this audit was to provide assurance over the arrangements to input, amend, record and report accounts payable transactions and review management and monitoring arrangements of KPI's relating to the Accounts Payable function. Conclusion We concluded that the Council had a Moderate design and effectiveness of controls for its Accounts Payable function. The control design was Moderate because the Council generally had a sound system of internal controls however there were some exceptions. The Council had strong policies and procedures in place and undertook daily interfaces between QL and Agresso with plans to resume the interface with Key2. There were also plans to introduce a matching software between bank details and supplier names. However, the Council had not undertaken any management reporting since March 2022 which had resulted in a lack of management oversight over key concerns such as the suspense account backlog.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						The control effectiveness was moderate because whilst some controls such as the QL interface controls that are in place were consistently applied there were some controls which required strengthening. These included the reconciliation between Paris and Agresso to ensure there is appropriate oversight and resolve any variances as well as purchase orders not always being raised and goods receipted according to policy. Findings ▸ Purchase orders are not always raised prior to invoice and with approval according to the Agresso authorised user list. ▸ Assurance that goods have been receipted prior to payment cannot be obtained for transactions processed by ODS, or Hews Grey (outsourced provider). ▸ Management reporting for payable transactions and overdue credit terms has not taken place since March 2022 due to changes in the system. ▸ The rationale behind approving high risk suppliers to be set up was not provided on the new supplier form for one supplier and there is also an increased risk for new suppliers to be set up without the approval from Procurement. ▸ Reconciliations between Paris and Agresso are not reviewed and approved, and variances are not investigated or resolved.
GDPR and high level Freedom of Information	1	3	1	Limited	Moderate	The purpose of the audit was to assess the Council's compliance against key parts of UK GDPR, including training and awareness, roles and responsibilities, data breach management, data protection impact assessments, policies and procedures, and governance of information assets. Conclusion The control design was Limited as there were several significant gaps identified in the data protection controls in key areas. This could be seen with the Council's central Record of Processing Activities (RoPA) and associated ongoing work with individual service areas. Furthermore, there were gaps identified with the arrangements for sharing data with third parties. The control effectiveness was Moderate as there was evidence of non-compliance with some controls, that may put some of the system objectives at risk. This specifically related to the training compliance as well as the information recorded in the Privacy Impact Assessment Register.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						Findings • Although individual RoPAs are in the process of being revised, our review found that due to the lack of corporate engagement, the central RoPA lacked sufficient detail to allow for an accurate oversight of data processing activities which could lead to ICO guidance not being met. • The Council's retention schedules, which are held and required to be reviewed by service areas, are overdue for review and have not been revised since July 2021, despite a requirement for the schedule to be reviewed in July 2022. • Although training compliance is being monitored and is currently a compliance rate of 57.5%. However due to the lack of corporate clarity around staffing information, it is not clear whether required staff have completed the training with the compliance rate not aligning with staff training records on the HR system. • The risks that are posed by third party data sharing are not being effectively recorded in the Information Sharing log due to the information not being shared with the Information Governance team proactively by service areas as data sharing arrangements are put in place (the document that records data sharing with third parties)w. The log has not been updated in the last 12 months.
Data Analytics	-	3	-	Moderate	Moderate	The purpose of this audit was to provide assurance for data analytics on main financial system information including the ledger and payroll. This included conducting data analytics tests and obtaining management responses/following up on red flags/exceptions identified. Conclusion We provided Moderate assurance on the Council's control design. We found that there were no payments made outside of a user's authorisation limit, the aged debtors' analysis was detailed, and employees were paid correctly. However, there was no purchase card policy in place which may lead to inappropriate purchases being made. We provided Moderate assurance on the Council's control effectiveness. We found satisfactory responses to duplicate entries across Accounts Payable. However, the Council's due diligence process did not apply to customers whose cumulative order amounts breached the due diligence threshold. Additionally, the lack of progress being made to recover easement related aged debts may have resulted in inadequate financial reporting due to bad debts not being written off in line with policy.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						Findings ▸ Despite Council issued purchase cards being used to make purchases totalling £801k between 1 January and 31 October 2024, current purchase card governance documentation does not include key controls such as: • The job titles of officers authorised to be issued with purchase cards • The spending limits applicable to each role • Allowable types of expenditure • Prohibited types of expenditure ▸ We reviewed a sample of 35 aged debts across the Council and Oxford Direct Services (ODS) and identified three aged debts (two for the Council and one for ODS) related to easements. An easement is a legal right that allows someone to use Council owned land without taking on ownership in exchange for a fee being paid to the Council. Upon enquiry with officers, we were informed that easement related balances were previously being reviewed to determine their validity and accuracy, but that this investigation had been on hold for at least eight years and progress was not being made toward debt recovery. There are a total of 613 aged debts relating to easements with a total value of £72k, with some of these debts dating back as far as 2011 and showing no significant progress towards recovery. We also identified a further 3 aged debts within our sample for which payment had been made but the debt had not been cleared from the report. ▸ The Council do not have a mechanism in place to identify customers whose cumulative orders exceed the threshold for due diligence which may lead to increased bad debtors resulting in financial loss.
Affordable Housing – Project Management	-	-	2	Substantial	Substantial	The purpose of the audit was to provide assurance over the Council's governance and performance monitoring arrangements for their current affordable housing development projects including Blackbird Leys and OX Place. Conclusion The control design was Substantial because there was generally a sound system of internal control designed to achieve system objectives. There were robust and appropriate governance procedures in place to approve projects at their inception and to monitor the operational and financial performance of the project delivery. Furthermore, Abovo reports provided ongoing updates on both the financial forecasting and profitability of projects to allow this to be monitored appropriately.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						The control effectiveness was Substantial because there was little evidence of non-compliance with controls, that may put some of the system objectives at risk. All projects reviewed had a clear business case or Scheme Development Strategy which set out the objectives and delivery timescales of the project. Through the governance structures, these were monitored effectively over the duration of the projects. <u>Findings</u> ▸ The flow chart that has been developed between the Council and OX Place to agree the initial project approval process has not been inserted as an appendix to the Collaboration Agreement and therefore, may not be enforceable. ▸ The project closure report for the Rose Hill Development Project was not completed using the standard template, and therefore, did not address the lessons learned from the project.
QL Optimisation (Draft)	-	2	1	Moderate (early draft)	Moderate (early draft)	The purpose of this audit was to assess whether the Council's interventions for QL (including Governance structures) were operating effectively. <u>Early Draft Conclusion</u> The control design was Moderate because there is generally a sound system of internal controls designed to achieve system objectives with some exceptions. The Council had a robust oversight structure through the QL Exploitation Programme managed by the Executive Oversight Project Board and the BAG. All new projects were scrutinised and actions for the smooth running of QL were reviewed and closed once completed. The control effectiveness was Moderate because there was evidence of non-compliance with some controls, that may put some of the system objectives at risk. There was no evidence of PO approval for ODS sales/works orders, and the Council overly relies on ODS to undertake all relevant PO and goods receipt processes without verification. <u>Findings</u> ▸ The Council does not independently verify that POs relating to repair and maintenance work on properties are accurate and appropriate prior to making payment to ODS for the completed work. Furthermore, the Council does not have a

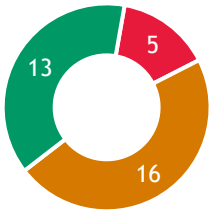
Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						comprehensive procedure in place to satisfy itself that repairs and maintenance is completed to a sufficient standard prior to making payment to ODS.
Income Generation (Draft)	-	1	1	Substantial (early Draft)	Moderate (early Draft)	The purpose of the audit was to assess: ▸ Whether the Council had controls and procedures in place for generating income, including the setting of fees, benefiting from grant funding opportunities and maximising marketing and advertising income. ▸ The Council's journey to cashless. ▸ The financial controls in place within the Civica Pay system to ensure income is allocated correctly. <u>Early Draft Conclusion</u> We provided Substantial assurance for control design because the Council demonstrated appropriate procedures to mitigate key risks, which resulted in a sound system on internal control designed to achieve its intended objectives. Of particular note was the Medium Term Financial Strategy which we found to be robust and outlined the changes to fees and charges and the assumptions behind each of these. We provided Moderate assurance for control effectiveness because we found a small number exceptions during our sample testing of payment processing which may put some of the system objectives at risk. <u>Findings</u> ▸ There were three instances, across three service areas, in which a payment for the wrong amount was processed or the payment was incorrectly allocated to the service area (Finding 1- Medium). ▸ Cash controls within community centres are not monitored therefore increasing risk (Finding 2- Low).

SUMMARY OF FINDINGS

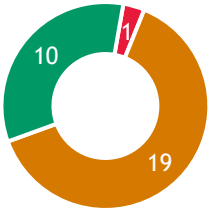
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

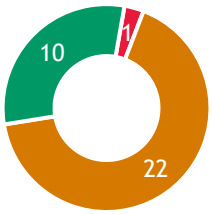
2022/23



2023/24

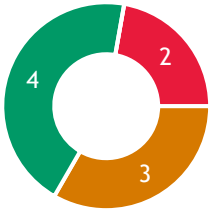


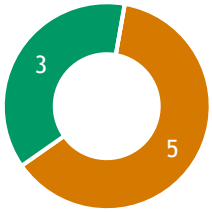
2024/25

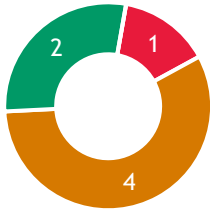


In 2024/25 there were a total of 33 recommendations raised, an increase from the 30 raised in 2023/24. However, the number of high recommendations raised has remained stable at one.

Control Design

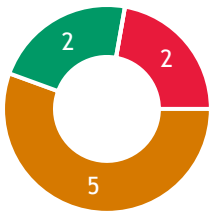


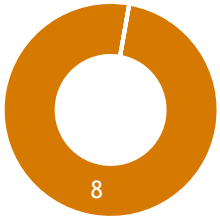


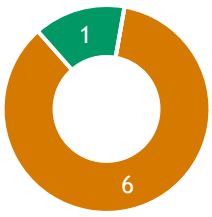


In 2024/25 we saw an increased number of reports where we provided Limited assurance for control design and a decrease in Substantial assurance when compared to 2023/24. Other advisory work was conducted in the year which supported our Head of Internal Audit Opinion.

Operational Effectiveness







In 2024/25 we saw an increase in the number of reviews where we provided Substantial assurance for control effectiveness when compared to 2023/24. For the second year in a row, we also issued zero reports with Limited assurance for control effectiveness.

ADDED VALUE

USE OF SPECIALISTS

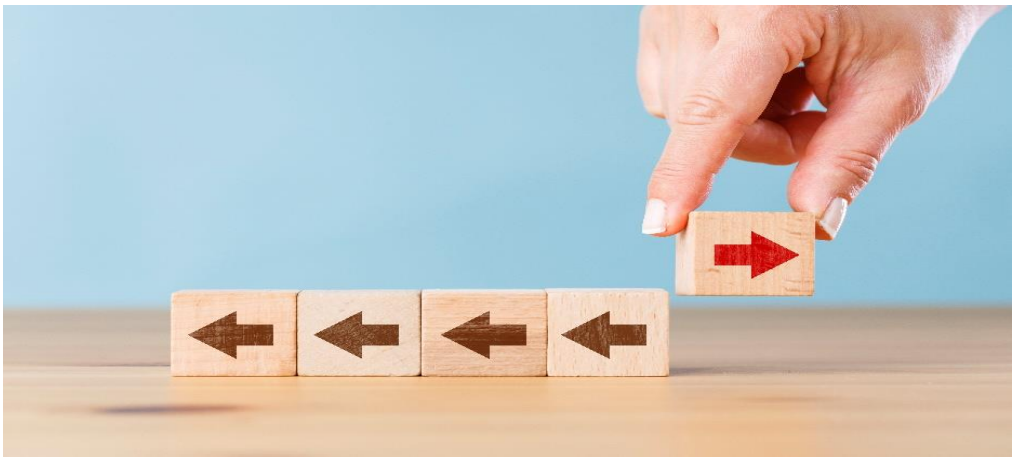
Our reviews were performed by our dedicated Public Sector Internal Audit Team. For specialist reviews, these were completed by subject matter experts to ensure the Council received assurance from qualified individuals. This includes the Fire Risk Assessment review where the work was performed and reviewed by specialists. The GDPR audit was undertaken by our dedicated team of IT Internal Auditors.

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 AND WORKFORCE

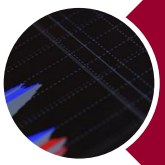
The Council welcomed our internal audits and provided us with strong levels of time and support during our reviews, whether delivered remotely or in-person. This demonstrates the organisation's positive approach towards internal audit and enhancing internal controls.

COMPLIANCE WITH CONTROLS

For the second year running we have seen an overall improvement in the level of assurance provided for control effectiveness across reports issued throughout the year. This is evidence of an increase in engagement by staff with the Council's systems of internal control.

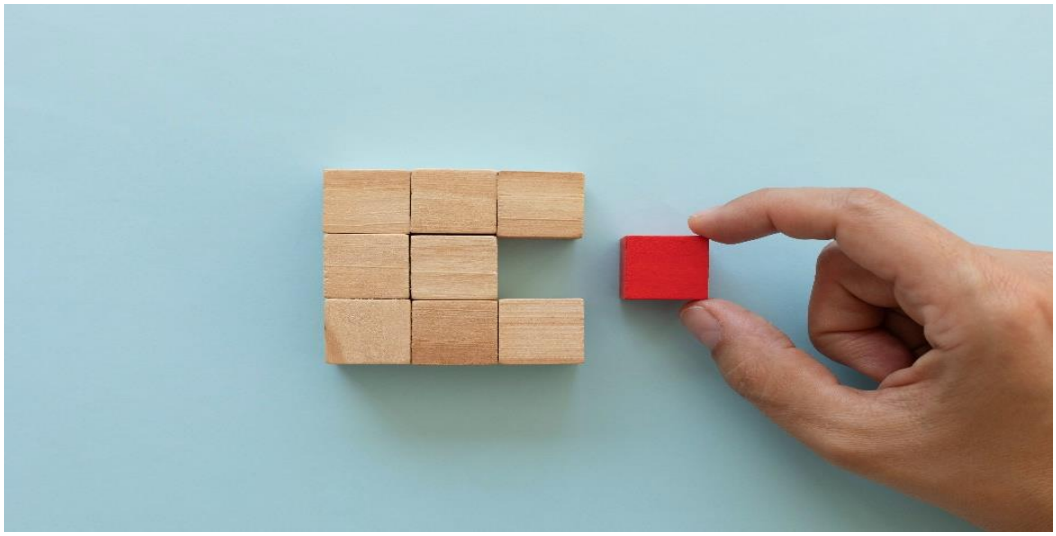
EMERGING RISKS

An effective audit plan has due consideration with emerging risks. We reviewed the Council's data protection controls via our GDPR audit which is an area of increasing risk due to the instances of malicous attacks being carried out on public bodies. Our review identified that the Council has improvements to make in this area.



SYSTEMS & PROCESSES

In general the Council has effective systems in place. However, we have seen a decrease in Substantial assurance and increase in Limited assurance reports for control design. We would like to see this trend reversed in future years.



BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Oxford City Council (the 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 2024/25 was carried out in accordance with the internal audit plan approved by management 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 the Council to manage risks in business areas identified by management set out in the 2024/25 Internal Audit Annual Plan which was 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's 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 one 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 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 and Governance Committee is to agree reports with management and then present and discuss the matters arising at the Audit and Governance Committee meetings.

Management actions on our recommendations

Management was engaged with the internal audit process and provided considerable time to us during the fieldwork phases of our reviews, generally providing audit evidence promptly and allowing the reviews to proceed in a timely manner. This included opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports. Management responses to draft reports were consistently provided within our requested timescale.

We had direct channels of communication to members of senior management throughout our audit engagements and in our audit planning process.

Recommendations Follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner, 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.

Recommendations from our internal audit reports have generally been implemented promptly with appropriate actions taken to improve controls where weaknesses have been identified. There is room for improvement with some actions taking longer to close however, generally the position is ok.

Relationship with External Audit

Summaries of 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

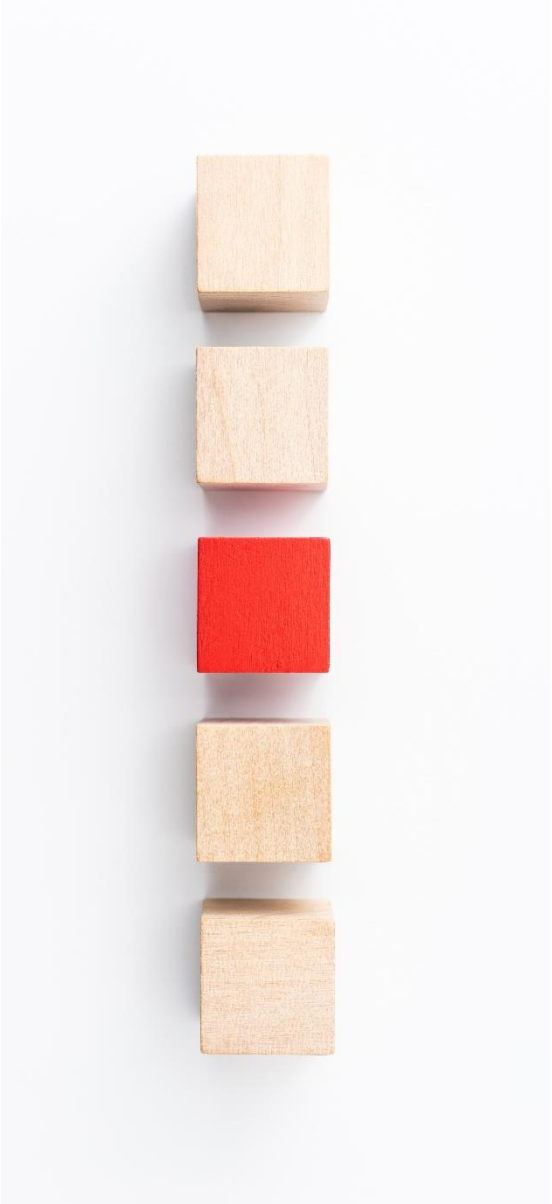
As the internal auditors of Oxford City Council we are required to provide the Audit and Governance Committee, and senior management with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

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 2024/25. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective.

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

- All internal audits undertaken by BDO LLP during 2024/25
- 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 results of regulatory reviews and other assurance providers
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to the Council.



KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
High quality documents produced by the auditor that are clear and concise and contain all the information requested.	We received only a few customer satisfaction survey responses for reviews undertaken in 2024-25. Therefore, we need to receive more to provide fuller feedback. We will work with management to obtain customer satisfaction surveys in 2025-26.	
Frequent communication to the customer of the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.	Sector updates are provided within our quarterly Progress Report to the Audit and Governance Committee.	
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.	
Information is presented in the format requested by the customer.	No requests to change the BDO format.	
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	
Annual Audit Plan delivered in line with timetable and Actual days are in accordance with Annual Audit Plan	There has been a delay in the delivery and progression of the Internal Audit Plan for 2024/25 in line with agreed timescales. However, we have now progressed all audits in the 2024-25 plan to at least the draft report stage to inform the Statement of Assurance Opinion.	
At least 60% input from qualified staff.	The internal audit work completed to date has been completed by qualified staff.	
Positive result from any external review.	The External Audit Quality Assessment by the Institute of Internal Auditors in April 2021 found BDO to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	

APPENDIX I: OPINION AND RECOMMENDATION SIGNIFICANCE

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:

GURPREET DULAY

Gurpreet.Dulay@bdo.co.uk

www.bdo.co.uk