

Oxford City Council & Group

Progress report
Year ended 31 March 2025

15 January 2026



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Audit & Governance Committee
Oxford City Council
Oxford Town Hall,
St Aldate's,
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OX1 1BX

15 January 2026

Dear Audit & Governance Committee Members

2024/25 Progress report

We attach our progress report, summarising the status of our audit for the forthcoming meeting of the Audit & Governance Committee. We will update the Audit & Governance Committee of Oxford City Council at its meeting scheduled for 28 January 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains an update on the progress made, matters to bring to your attention at this time and an outline of the process for completing this year's audit. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Audit & Governance Committee, as the Oxford City Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council external financial reporting arrangements and the effectiveness of the Audit & Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit & Governance Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Audit & Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 28 January 2026.

Yours faithfully

Andrew Brittain
Partner, For and on behalf of Ernst & Young LLP

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Progress Report

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Progress Report – Context for the audit

Scope update

In our Audit Planning Report presented at the 23 July 2025 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes in materiality: We updated our planning materiality assessment using the published draft financial statements, please see table below. We have also reconsidered our risk assessment throughout the audit and concluded that these levels remain appropriate.

	Planning materiality based on 2023/24 SoA (£m)		Year end materiality based on 2024/25 draft SoA (£m)	
	Group	OxCity	Group	OxCity
Planning Materiality	4.4	3.86	6.4	5.4
Performance Materiality	2.2	1.9	3.2	2.7
Audit Differences	0.22	0.19	0.32	0.27

472 Changes to audit risk- The audit risk relating to Minimum Revenue Provision has been removed, as the amounts are immaterial at year-end and no issues were identified in the prior year.

Status of the audit

Our audit work in respect of the group opinion is ongoing.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix A.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion

Progress Report – Context for the audit

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the Council. We still consider these area to be our areas of focus.

Risk/area of focus	Risk identified	Conclusion
Misstatement due to fraud or error	Fraud risk	The audit is ongoing, and our findings and conclusions will be reported at the completion of the audit.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud Risk	The audit is ongoing, and our findings and conclusions will be reported at the completion of the audit.
473 Inappropriate revenue recognition of rental income	Fraud risk	The audit is ongoing, and our findings and conclusions will be reported at the completion of the audit.
Valuation of Land and Buildings included within Property, Plant & Equipment and Investment Property	Significant Risk	<p>Similar to the prior year, we have been unable to obtain sufficient supporting evidence for our sample selected for Property, Plant and Equipment (PPE) valuation testing and additions testing. Therefore, officers have agreed that we will not be in a position to obtain assurance over the closing balance of PPE in advance of the backstop date which is 27 February 2026.</p> <p>Similar to the prior year, we have not been able to obtain sufficient supporting evidence for all of our samples selected for our testing of Investment Property (IP) valuations. Therefore, officers have agreed that we will not be in a position to obtain assurance over the closing balance of IP in advance of the backstop date which is 27 February 2026.</p>
Pension Liability Valuation	Inherent risk	The audit is ongoing, and our findings and conclusions will be reported at the completion of the audit.
Group Consolidation	Inherent risk	The audit is ongoing, and our findings and conclusions will be reported at the completion of the audit.
IFRS-16 Leases	Inherent risk	The audit is ongoing, and our findings and conclusions will be reported at the completion of the audit.

Progress Report (cont'd)

Value for Money

Our value for money (VFM) procedures are still on-going, We have identified one potential risk of significant weaknesses relating to the Council's capacity to support the external audit process. As the audit is ongoing we yet to conclude on this and will report to you once the audit in completed in the Audit Results Report.

Audit differences

Audit differences identified to date:

- Corrected misclassification £1,984k: Council tax court cost and Rent Deposit Scheme allowances were included in Provisions in error whereas these should have been offset against Debtors. This will be corrected in the final version of accounts.
- 474 ▪ Corrected misclassification in Group accounts £4,508k: there was a reclassification of group other operating income to group other operating expenditure
- We have also identified number of disclosure misstatements which management has agreed to correct in the final version of the financial statements.

Control observations

During the course of the year end audit, we identified areas where the year end accounting process can be improved:

- The timely allocation of cash-in-transit to debtors, rather than the use of a suspense account, to evidence the year end position for individual debtors' balances
- Allocation of income that relates to the following financial year through the use of deferred income account as appropriate

Our procedures on the financial statements are still on-going. We will provide any further observations as they arise during the process.

Progress Report (cont'd)

Factors impacting the execution of the audit

Management, and the Audit & Governance Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

As set out in further detail in that table over-page we experienced:

- Significant delays in the provision of evidence to support the samples selected from the figures reported in the financial statements.
- The quality of the working papers provided, and specifically the evidence to support them, requires improvement in order to support an efficient audit.

Further details on these issues, and the actions needing to be taken by the Council, can be found on the next few slides.

475 We have considered this will impact further in:

- Our ability to complete the audit.
- Our assessment of the final audit fee.

Progress Report (cont'd)

Factors impacting the execution of the audit

Delivery to our proposed timeline is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies.

See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>.

In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- ▶ prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ▶ ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- ▶ assign responsibilities clearly to staff with the appropriate expertise and experience;
- ▶ provide necessary resources to enable delivery of the plan;
- ▶ maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ▶ ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ▶ ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- ▶ during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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Progress Report (cont'd)

Factors impacting the execution of the audit

Capacity Issues within the Finance Team:

The Council has experienced capacity issues within the finance team for a number of years, which has impacted the ability to support the external audit process and complete this in an efficient manner by the target dates set by the Accounts and Audit (Amendment) Regulations.

The evidence on which our view is based:

Whilst we acknowledged that there have been a number of 'one-off' technical and IT issues during this time capacity issues within the finance team could not adequately support for example the 2021/22 audit which effectively started in July 2022 and was still ongoing as at December 2023 when a decision was made that there were too many fundamental issues still to resolve in advance of the upcoming backstop date. The delays therefore resulted in a disclaimed audit opinion not only for 2021/22 but also resulted in a disclaimed audit opinion for 2022/23 as Council staff could not deliver to the required timeline in 2021/22. Similar issues were experienced during the 2023/24 audit with that audit being signed only on the last day before the backstop date and another disclaimed audit opinion was issued for 2023/24. The 2023/24 disclaimed opinion highlighted a number of issues including: Investment Property and Property, Plant and Equipment Valuations where the Council could not support the valuations on the balance sheet. This was compounded by delays in the time taken by the finance team to respond to audit requests for support. Other issues were experienced in our testing of Grants Receipts in Advance and Debtors. We commenced the 2024/25 audit in October 2025 due to the IT issues caused by the cyber attack on the Council, which delayed the production of the 2024/25 draft financial statements. We have experienced similar issues to that detailed above with further delays in responding to our audit enquiries and also issues with the quality of the supporting evidence received. Our view is this is caused by a lack of capacity within the core team in the Council responsible for financial reporting and supporting the audit process. It is then exacerbated by a lack of understanding of the enhanced requirements to respond to external audit enquiries by those from other functions in the Council.

The impact on the Council:

Failure to improve the Council's processes to report financial information timely and support the external assurance over these, will also impact its ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations.

The action that the Council needs to take to address this issue:

1. **Finance Function Workflow Review:** Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.
2. **Quality Assurance Function Review:** Implement a thorough review of the quality assurance process for draft accounts, underlying workpapers and evidence to support these. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit & Governance Committee.
3. **Finance Team Capacity:** Re-assess roles, responsibilities and resource requirements for financial reporting across the Council, including an assessment of the required support from, and education of, those from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations.

Conclusion:

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider or to bring it to the attention of the public (i.e., "a report in the public interest"). Whilst at this stage these recommendations are not statutory formal recommendations under section 24 and Schedule 7(2) of the Local Audit and Accountability Act 2014 (as amended), we gave serious consideration to making statutory recommendations. We believe that the matters are significant and fundamental and need to be brought to the attention of those charged with governance. We are keen to work with the Council as they address these matters and would request a formal response as to the Council's considerations and the proposed timeline for any updates as per the recommendations above so that we can factor this into our planning for 2025/26. We will also need to consider the above matters as we conclude our value for money review for 2024/25.

Progress Report (cont'd)

Factors impacting the execution of the audit (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Requires Improvement			The financial statements were not published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.	Following the cyber-attack on Oxford City Council, key systems were taken offline as a precaution, which delayed the publication of the draft accounts.
Quality and completeness of the draft financial statements	Effective			When received, the draft financial statements were complete. There were a few of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication.	
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Majority of the working papers were provided to the agreed timetable.	N/A
Quality of working papers and supporting evidence	Requires Improvement			The quality of the working papers and supporting evidence were generally below the standard required to support an efficient audit. For instance, in a number of areas we had to return the evidence given since it was not the third-party evidence that we had requested. In several instances, we were provided with complex internal workings spread across multiple tabs of a workbook, without any explanation of the calculations or how they linked to the evidence that we had requested.	This has resulted in an additional audit effort and therefore we expect to raise a scale fee variation in respect of this.
Timeliness and quality of evidence supporting key accounting estimates	Requires Improvement			Delays were experienced in the provision of supporting evidence for walkthroughs, leases, samples across various significant accounts. The delay in providing evidence contributed to a delay to the audit process being completed.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires Improvement			Generally there were no issues with access to the finance team and key personnel. However, ongoing capacity constraints have limited their ability to support the external audit, resulting in delays in providing responses and addressing audit queries.	N/A
Volume and value of identified misstatements	Effective			To date, few material misstatements have been detected as a result of our work.	N/A
Volume of misstatements in disclosure	Effective			A small number of misstatements in disclosures were detected in our work, particularly in relation to IFRS 16. We acknowledge that this is the first year of the Council implementing IFRS 16.	N/A

Progress Report (cont'd)

Other Reporting issues

Our review of the information presented in the Annual Governance Statement is still in progress. The outcomes of the procedures performed will be reported in the Audit Results Report.

We are awaiting the detailed instructions from the National Audit Office (NAO) for the Whole of Government Accounts.

Independence

No independence issues have been identified.

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Appendix A – Status of audit testing

Status of audit

Our audit work in respect of the Council opinion is progressing. An update of progress on the opinion audit is as follows:

Item	Complete or Actions to resolve	Responsibility
Cash and cash equivalents	- Bank Confirmation testing - outstanding	EY & Management
Debtors (Short term & Long Term)	- Existence testing - outstanding - Cut-off - In review - Bad debt provision - In review - Council tax & NDR debtors - Outstanding	EY & Management
Investments	- Confirmation testing - outstanding	EY & Management
Group Statements and Notes	- Work on component teams - In review with only few items outstanding - Group consolidation work - In progress	EY & Management
Property, plant & equipment (PPE) Investment Property (IP) Revaluation gains / losses	- Additions testing - several items outstanding - Valuations testing - We have concluded that we cannot obtain assurance over the closing balance of PP&E & IP	EY & Management
Heritage Assets	- Completed	N/A
Leases	- Testing outstanding	EY & Management
Intangible Assets	- Completed	N/A
Creditors	- Existence testing - a few items outstanding - Cut-off - In review - Search for unrecorded liabilities - a few items outstanding	EY & Management
Long term creditors	- Samples sent, awaiting response from client	EY & Management
Grant Receipts in Advance	- Testing outstanding	EY & Management

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Appendix A – Status of audit testing (cont'd)

Item	Complete or Actions to resolve	Responsibility
Provisions (including NDR Appeals)	- Completed	EY & Management
Pension scheme liabilities Actuarial gains/losses	- Testing of estimate - outstanding	EY & Management
Revenue Contract Liabilities	- Completed	N/A
Borrowings	- In review	EY & Management
Reserves	- Testing outstanding	EY & Management
Grant Income	- Testing outstanding	EY & Management
481 Other Income	- Supporting evidence outstanding from client	EY & Management
Rental Income	- A few items outstanding	EY & Management
Taxation and non specific grant income	- Testing outstanding	EY & Management
Collection fund	- A few items outstanding	EY & Management
HRA Expenditure	- Testing outstanding	EY & Management
HRA Income	- Testing outstanding	EY & Management
Employee costs	- Starters & leavers testing - outstanding	EY & Management

Appendix A – Status of audit testing (cont'd)

Item	Complete or Actions to resolve	Responsibility
Finance & investment	- Testing outstanding	EY & Management
Housing Benefits	- Testing in review	EY & Management
Other Expenditure	- A few items outstanding	EY & Management
REFCUS	- A few items outstanding	EY & Management
WGA	- Not started	EY & Management
Disclosures	- A few items outstanding	EY & Management
ISA 315	- Awaiting supporting evidence	EY & Management

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The above items are in addition to the regular closedown procedures that are needed including obtaining financial version of the accounts, letters of representation and completion of manager and partner quality review process over the ongoing work.

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