

Oxford City Council & Group

Audit results report

Year ended 31 March 2025

27 February 2026



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Agenda Item 11



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

27 February 2026

Dear Audit & Governance Committee Members

2024/25 Audit results report

We attach our audit results report, summarising the status of our audit.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Oxford City Council (the Council's) accounting policies and judgements and material internal control findings. 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 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's 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.

Yours faithfully

Andrew Brittain

Partner, For and on behalf of Ernst & Young LLP

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Contents

- 01 Executive Summary
- 02 Areas of Audit Focus
- 03 Value for Money
- 04 Audit Report
- 05 Audit Differences
- 06 Assessment of Control Environment
- 07 Other Reporting Issues
- 08 Independence
- 09 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<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>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Oxford City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Oxford City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Oxford City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

242

Executive Summary – Context for the audit

Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- lack of capacity within the local authority financial accounting profession;
- increased complexity of reporting requirements within the sector;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our February 2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24 financial statements and as reported in our 20 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under the arrangements to reset and recover local government audit.

In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements and therefore we anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of Oxford City Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

Executive Summary – 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

244

- 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.

Executive Summary – Context for the audit

Status of the audit

Our audit work in respect of the Oxford City Council and Group opinion is substantially complete, however, the final executive reviews and conclusion tasks are still pending. Please refer to Appendix B for a list of the items relating to the completion of our audit procedures which were outstanding at the date of this report. We will also complete our closing procedures, as listed below, shortly before signing the audit opinion.

- Final review of revised Annual Report and Annual Accounts;
- Completion of Whole Government Accounts work;
- Receipt of the signed management representation letter; and
- Completion of our final review and sign off procedures.

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, a current draft of which is included in Section 04.

245

Value for Money

We completed our risk assessment and planned procedures and determined that there is a significant weakness in the Council's arrangements in relation to the Council's capacity to support the external audit process. As a result of completing our planned VFM procedures, we have reported by exception details of the significant weakness in the auditor's report (see Section 04). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report. We include further details in Section 03.

Executive Summary (cont'd)

Audit differences

The misstatements identified are detailed below.

Unadjusted mis-statements:

- Misclassification of bad debt provisions related to opening balances originating from the RDS long-term debtor amounting to £1.6m and Council Tax debtors amounting to £0.45m. Impairment balances were not correctly netted against receivables per IFRS 9/CIPFA requirements.
 - As part of our audit procedures over the pension liability, we identified that the asset ceiling impact relating to 2023/24, amounting to £36.34m, had not been reflected in OxCity's prior-year financial statements. As the error was material to the comparative information and remained uncorrected, ISA 710 required us to refer to this misstatement in our auditor's report. Accordingly, our opinion highlights that the omission resulted in the comparative information being materially misstated.
 - Non-specific capital grants were recognised in the incorrect year, with conditions met in prior periods, resulting in prior-year CIES misstatement and opening balance adjustments not posted by management amounting to £16.9m. As the error was material to the comparative information and remained uncorrected, ISA 710 required us to refer to this misstatement in our auditor's report. Accordingly, our opinion highlights that the omission resulted in the comparative information being materially misstated.
 - Car-park credit-card income error: A correcting journal of £0.73m was posted by management without adequate supporting evidence for the allocation basis. The misstatement could not be fully quantified, and the balancing impact was allocated to trade debtors.
- 246 Revenue recognised before being earned due to the AP2 policy of not accruing receipts under £500. This resulted in a projected overstatement of income of £0.53m.
- Projected debit-side misstatements of £0.39m relating to insufficient audit evidence and classification errors.
 - Prior-period expenditure recorded in the current year, overstating current-year costs and understating reserves by £1.6m.
 - Misstatement relating to 23/24 other expenditure items that were erroneously recorded in the 24/25 period (cutoff error), totalling £2.2m
 - Misstatement relating to car park income was misclassified and recorded as expenditure in FY 24/25, totalling £8.3m
 - During our testing of a debit sample from car-parking income, we identified that the selected item formed part of a correcting journal of £730,571.54, which management posted to address an overstatement of income arising from a system transition earlier in the year. However, due to the absence of adequate supporting evidence and the limited time remaining before the backstop date, we were unable to obtain sufficient appropriate audit evidence to assess the accuracy of this adjustment. Consequently, we are unable to quantify the remaining error, if any.

Adjusted mis-statements:

We highlight the following audit differences which have been corrected by management that were identified during the course of the audit:

- Corrected misclassification in Group accounts £4.5m: there was a reclassification of group other operating income to group other operating expenditure
- Misclassification of bad debt provisions from the RDS long-term debtor amounting to £1.59m and Council Tax debtors amounting to £0.43m.
- Correction of IFRS 16 lease accounting for "1-5 Broad Street," including depreciation and interest entries amounting to £.065m and the remeasurement of the ROU asset and liability amounting to £4.3m.

Executive Summary (cont'd)

Audit differences (cont'd)

The misstatements identified are detailed below.

Adjusted mis-statements (cont'd):

We highlight the following audit differences which have been corrected by management that were identified during the course of the audit:

- IFRS 16 reclassification for peppercorn leases, moving recognition from service charges to Taxation & Non-Specific Grant Income amounting to £9.5m.
- For 2024/25, we noted that OxCity had not applied the IAS 19 asset ceiling in the draft financial statements, resulting in an overstated pension asset of £82.791m. Our review of the March 2025 results schedule identified a required asset-ceiling adjustment of £104.592m, which affects the CIES, Balance Sheet and related pension disclosures. OxCity has confirmed that the final accounts will be updated to reflect the full asset-ceiling impact.
- Reclassification adjustments between General Fund and HRA income/expenditure, including a £0.35m correction and a £0.70m post-year-end reclassification.

247

Executive Summary (cont'd)

Audit differences (continued)

Throughout the course of our audit, we identified a number of disclosure adjustments

Management has corrected the majority of these. Key corrected items included incomplete IFRS 16 lease disclosures, updates to finance lease debtor figures, narrative corrections in the Treasury Management section and Group Accounts, and multiple IAS 19 pension disclosure adjustments.

One significant uncorrected disclosure item remains: management was unable to provide sufficient evidence to support HRA interest-related disclosures totalling £2.50m (£2.00m internal borrowing interest and £0.50m investment income).

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2024/25. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2024/25 on which our work is based.

We have no other matters to report.

Executive Summary (cont'd)

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. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Risk/area of focus	Risk identified	Conclusion
Misstatement due to fraud or error	Fraud risk	No significant matters have been identified in the completion of our work.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud Risk	No significant matters have been identified in the completion of our work.
Inappropriate revenue recognition of rental income	Fraud risk	No significant matters have been identified in the completion of our work.
249 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	<p>We have completed our testing in this area. As part of our testing, we identified the following:</p> <p>2024/25: OxCity had not applied the IAS 19 asset ceiling in the draft financial statements, resulting in an overstated pension asset of £82.791m. Our review of the March 2025 results schedule indicated that a total asset-ceiling adjustment of £104.592m was required, impacting the CIES, Balance Sheet, and related pension disclosures. OxCity has confirmed that the final accounts will be updated to reflect the full asset-ceiling impact.</p> <p>2023/24: We also identified that the asset-ceiling impact for the prior year, amounting to £36.34m, had not been reflected in OxCity's 2023/24 financial statements. This has not been adjusted and so we will report the matter in our audit opinion,</p>
Group Consolidation	Inherent risk	<p>No issues were identified during the completion of our procedures, except for a £4.5m misclassification in the Group accounts. This related to an amount recorded within Group other operating income that should have been classified as Group other operating expenditure; management has agreed to correct this.</p> <p>In addition, several disclosure misstatements were noted, which management has also agreed to amend.</p>

Executive Summary (cont'd)

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. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Risk/area of focus	Risk identified	Conclusion
IFRS-16 Leases	Inherent risk	<p>No issues were identified during the completion of our procedures, except</p> <p>A Correction of IFRS 16 lease accounting for "1-5 Broad Street", including depreciation and interest adjustments of £0.065m, and the remeasurement of the right-of-use asset and corresponding lease liability amounting to £4.3m.</p> <p>We identified a correction relating to IFRS 16 reclassification for peppercorn leases, transferring recognition from service charges to Taxation & Non-Specific Grant Income, totalling £9.5m.</p> <p>In addition, we completed procedures over the IFRS 16-related disclosures and their compliance with the CIPFA Code of Practice on Local Authority Accounting and noted several disclosure misstatements which required amendment.</p>

250

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues
- You concur with the resolution of the issue
- There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Governance Committee or the Board.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Please refer to Section 06 for control recommendations.

Independence

Please refer to Section 08 for our update on Independence.

Executive Summary (cont'd)

Factors impacting the execution of the audit

Management, and the Oxford City Council 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 below/over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures. Where we have been unable to undertake all planned procedures this is likely to extend the timetable to recover assurance on the Council's financial statements. See Appendices A and B for further details.

Area	Status			Explanation	Further detail
	R	A	G		
251 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.	This has resulted in an additional audit effort and therefore we expect to raise a scale fee variation in respect of this.
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

Executive Summary (cont'd)

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

Area	Status			Explanation	Further detail
	R	A	G		
Volume and value of identified misstatements	Requires improvement			A high volume and significant value of misstatements were identified during our audit, including several material adjustments relating to pensions (IAS 19), leases (IFRS 16) and income recognition. This indicates that further improvements are required in the quality of financial reporting processes.	N/A
Volume of misstatements in disclosure	Requires improvement			A substantial number of disclosure misstatements were identified, particularly in the areas of leases (IFRS 16) and Group Accounts. While most have been corrected, the volume of issues highlights the need for strengthened oversight of financial statement disclosures. We acknowledge that this is the first year of the Council implementing IFRS 16.	N/A

252



02 Areas of Audit Focus

Areas of Audit Focus

Presumptive risk of management override of controls- misstatement due to fraud or error (Fraud risk)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

In accordance with ISA 240, the presumptive risk of management override of controls is present at every entity. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Identified fraud risks during the planning stage of the audit.
- Enquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud and consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered whether there are fraud risk factors associates with related party relationships and transactions.
- Determined an appropriate strategy to address identified risks of fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- We assessed accounting estimates for evidence of management bias
- We evaluated the business rationale for significant unusual transactions outside the normal course of business, and
- We considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.

What is the status of our work?

We have completed our planned procedures; no significant matters have been identified in the completion of our work.

We obtained the responses we requested from management, those charged with governance, monitoring officer and Internal audit and used these to inform our understanding of fraud risks. We noted the key elements of the entity level control framework that we would expect to see were in place.

- Our walkthrough testing included considering what controls are in place to address significant risks. We concluded that these are largely part year end processes including management review of the draft financial statements. We confirmed that these controls were in place, although our approach was not to rely on controls.
- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any transactions during our audit which appeared unusual or outside of the normal course of business.
- ▶ Our work on journals testing did not identify any issues.
- ▶ Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the financial position, or that management has overridden controls.
- ▶ No significant matters have been identified in the completion of our work.

Areas of Audit Focus

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure (Significant risk)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Substantially tested Property, Plant and Equipment (PPE) and Investment Property (IP) additions using a low testing threshold to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Substantially tested REFCUS expenditure to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

We have completed our testing of Property, Plant and Equipment additions and have not identified any evidence of inappropriate capitalisation of revenue expenditure.

Based on our sample testing of PPE additions, we have not identified any instances where costs were not capital in nature, i.e. addition costs were directly attributable to the assets.

Our work over significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year identified no issues.

Areas of Audit Focus

Inappropriate revenue recognition of rental income (Significant risk)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate revenue recognition of rental income as this is a non-standard income stream for local government and the Council has incentive to overstate rental income, in order to improve the general fund position.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Understood the Council's approach recognising rental income;
- Challenged the assumptions made by management in their recognition approach;
- Tested revenue from rental properties using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the revenue recognised is appropriate;
- Tested cut-off of revenue from rental properties at to ensure income from rental agreements straddling the financial year end is recognised in the correct accounting period.
- Sought to identify and understand the basis for any significant journals increasing income and receivables at the end of the year.

256

What is the status of our work?

We selected a sample of rental income items to test and confirm the item was appropriate to recognise revenue through agreement to third party evidence including contracts and bank statements.

No significant matters have been identified in the completion of our work.

Some control issues were noted, which have been included in Section 06 of this report.

Areas of Audit Focus

Valuation of Land and Buildings (Significant risk)

What is the risk?

The value of DRC and EUV assets represents a significant balance in the Council's accounts and it is subject to revaluation changes and impairment reviews.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

DRC and EUV assets are subject to regular review by the valuers

257 Valuation of these assets involves higher risk estimates due to the significant assumptions and judgments involved in their valuation, which triggers the use of experts by management and EY (where necessary). These estimates give scope for higher inherent risk in this area of accounts therefore we have identified PPE as an area of significant risk.

What is the status of our work?

We have been unable to obtain sufficient supporting evidence for our sample selected for PPE valuations and PPE additions. Therefore, we have concluded we cannot obtain assurance over the closing balance of PPE.

We have been unable to obtain sufficient supporting evidence for our samples selected for Investment Property valuations. We have therefore concluded that we cannot obtain assurance over the closing balance of IP.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Considered the work performed by the Council's valuers (Capita), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, or assessing comparative market information);
- ▶ Challenged key assumptions used by the valuers;
- ▶ Reviewed management assessment/challenge to the Council's valuer's work
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of DRC, EUV and FV valuations performed by the Council's and its valuers.
- ▶ Reviewed PPE assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered the potential impact of current economic environment on valuation uncertainties while also evaluating the need to involve our internal specialist valuations team; and
- ▶ Considered changes to useful economic lives as a result of the most recent valuation
- ▶ Tested accounting entries have been correctly processed in the financial statements.

Areas of Audit Focus

Pension liability valuation (Area of audit focus)

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund surplus is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2024 this totalled £27 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

258

What is the status of our work?

Our procedures to respond to this area of focus are complete now.

We have received the report from the Oxfordshire County Council Pension Fund auditor in relation to their assurances over the information supplied to the actuary to enable the calculation of the valuation of the gross pension asset and liability at year end. There are no significant matters arising from this report.

We have also received the results from our internal pensions specialists from their review of the roll-forward of the Local Government Pension Scheme liability valuation. There are no significant matters arising from this report.

During the completion of our procedures, we identified:

2024/25: OxCity had not applied the IAS 19 asset ceiling, in lien with the requirements of IFRIC 14, in the draft financial statements, resulting in an overstated pension asset of £82.791m. Our review of the March 2025 results schedule indicated that a total asset-ceiling adjustment of £104.592m was required, impacting the CIES, Balance Sheet, and related pension disclosures. OxCity has confirmed that the final accounts will be updated to reflect the full asset-ceiling impact.

2023/24: We also identified that the asset-ceiling impact for the prior year, amounting to £36.34m, had not been reflected in OxCity's 2023/24 financial statements and was not adjusted in the prior year comparative in the 24/25 accounts, so we have reported this matter in our audit opinion.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Liaised with the auditors of Oxfordshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council including impact of the triennial valuation
- ▶ Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- ▶ Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Areas of Audit Focus

Group Consolidation (Area of audit focus)

What is the risk?

The Council has a number of companies within the group structure three of which are wholly owned by the Council and two where the company is jointly owned. With this comes additional complexity and risk arising from the need to understand and implement the accounting and reporting requirements for these operations.

One of these components, Oxford Direct Services Ltd (ODSL), will be a significant component to the group based on size. Three of the entities are specific scope with material balances specific to couple of accounts: OCHL, ODSTL and Oxwed LLP.

259 The risk is considered inherent because these entities are significant component based on the size and risk of the subsidiary. The accounts of the components will need to be consolidated into the Group accounts with appropriate consolidating adjustments. This gives scope for potential material error.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Examined the group structure and reviewed management's group boundary assessment in order to determine which elements are in scope;
- ▶ Monitored the position to identify any other components that result in a change in scope by the year end;
- ▶ Reviewed the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice;
- ▶ Liaised with the external auditor of ODSL, ODSTL and OCHL, Mazars, asking them to undertake a programme of work in line with Group audits.
- ▶ Liaised with the external auditor of Oxwed LLP, Wenn Townsend, asking them to undertake a programme of work in line with Group audits.

What is the status of our work?

Our procedures to respond to this area of focus are complete.

We have completed the procedures below:

- ▶ Examined the group structure and reviewed management's group boundary assessment.
- ▶ Monitored the position to identify any other components that result in a change in scope.
- ▶ Reviewing the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice;
- ▶ Liaised with the external auditor of ODSL, ODSTL and OCHL, Mazars, asking them to undertake a programme of work in line with Group audits. We have completed a review of their audit files. Reviewed the deliverables requested from Mazars with no material issues noted.
- ▶ Liaised with the external auditor of OxWed LLP, Wenn Townsend, asking them to undertake a programme of work in line with Group audits. We have completed our review and received the requested information with no issues noted.

No issues were identified during the completion of our procedures, except for a £4.5m misclassification in the Group accounts. This related to an amount recorded within Group other operating income that should have been classified as Group other operating expenditure; management has agreed to correct this. In addition, several disclosure misstatements were noted, which management has also agreed to amend.

Areas of Audit Focus

Implementation of IFRS 16 from 1st April 2024 (Area of audit focus)

What is the risk?

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/25 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

260

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g. RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

The Council performed an initial impact assessment in 2023/24 and expected to recognise a right of use asset which is material to our responsibilities. Our risk is therefore in relation to the completeness of leases identified by the Council, as well as the accuracy of the calculations performed by the management in determining the total value of the impact across all leases.

We have therefore included the implementation of IFRS 16 as an area of audit focus.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- We gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We paid particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered were complete.
- We reviewed the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- We reviewed management policies, including whether a portfolio approach and / or low value threshold was used, and asset classes where management adopted the practical expedient to non-lease components.
- We checked the calculations of the right of use asset included in the 2024/25 financial statements
- We sample tested leases to ensure that transition arrangements have been correctly applied.
- We considered the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

What is the status of our work?

We have completed our planned procedures and noted as follows:

We have obtained the listing of all leases contracts (where entity is acting as lessee and lessor). We have noted that there are no new leases identified from the prior years. To ensure completeness, we have performed extensive review of the meeting minutes, contracts and other substantive procedures on expenditure and identified no unrecorded lease contracts in the current year.

A correction of the IFRS 16 lease accounting for "1-5 Broad Street", including depreciation and interest adjustments of £0.065m, and the remeasurement of the right-of-use asset and corresponding lease liability amounting to £4.3m.

We identified a correction relating to IFRS 16 reclassification for peppercorn leases, transferring recognition from service charges to Taxation & Non-Specific Grant Income, totalling £9.5m.

In addition, we completed procedures over the IFRS 16-related disclosures and their compliance with the CIPFA Code of Practice on Local Authority Accounting and noted several disclosure misstatements requiring amendment.

Some control issues were identified during the review, which have been summarised in Section 06 of this report.



03 Value for Money

Value for Money

The Authority's responsibility for Value for Money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

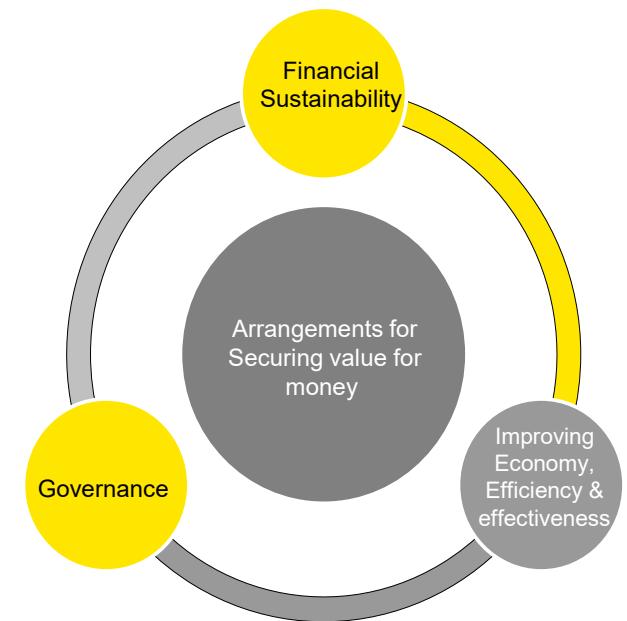
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

262 Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We provide a commentary on the Council's arrangements against three reporting criteria:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have now completed our risk assessment and have concluded our value for money review for 2024/25. Our conclusions in respect of the one area that we identified as risk of significant weakness is detailed on the next slide. Our conclusions and commentary will be included within our Auditor's Annual Report.



Value for Money (cont'd)

Status of our VFM work

We have completed our planned procedures and have determined that there is a significant weakness in the Council's arrangements for supporting its governance process arrangements in relation to and the Council's capacity to support an efficient external audit process.

From 2020/21 through to the ongoing 2024/25 audit, the Council has shown a sustained pattern of weaknesses that significantly impair its ability to support an effective and timely external audit process. While the 2020/21 financial statements ultimately received an unqualified opinion, the audit was heavily delayed due to material errors—particularly in the accounting for COVID-19 grants—and lengthy periods of correction, with sign-off occurring almost a year later than planned.

The situation deteriorated further in 2021/22 and 2022/23, where despite considerable audit effort, the auditor was unable to obtain sufficient appropriate evidence and ultimately issued disclaimed opinions. Key issues included unsupported valuation figures, errors and lack of clarity around internal recharges and PPA adjustments, gaps in audit evidence across multiple core statements, and the Council's inability to prepare Group Accounts. Compounding these weaknesses was the failed implementation of the QL Housing system, which suffered repeated delays, doubled in cost from the original £1.6 million budget, and went live with significant data migration failures. The resulting business interruption placed substantial strain on officer capacity and reduced the reliability of financial information, contributing directly to adverse value-for-money findings in both affected years. These systemic issues persisted into 2023/24.

263 The Council was again unable to demonstrate adequate audit readiness, resulting in another disclaimed opinion. Persistent problems included an absence of sufficient documentation to support PPE and investment property valuations—where requests for evidence were so delayed they ultimately remained unresolved—unsupported year-end balances for grants received in advance, and the identification of £8.18 million held in a suspense account owing to a lack of capacity to allocate transactions to debtors.

The position for 2024/25 shows no meaningful improvement: key evidence such as PPE/IP valuation support remains unavailable, responses to audit queries continue to be significantly delayed, and working papers provided are frequently below the standard required. 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. Taken together, these recurring weaknesses demonstrate a fundamental and continuing failure in the Council's arrangements for securing economy, efficiency, and effectiveness, specifically around financial governance, the preparation of financial statements for external audit, and capacity within the finance function.

Delays in responding to our audit enquiries and also issues with the quality of the supporting evidence received have disrupted audit timetables and prevented the completion of planned procedures, leading to multiple consecutive disclaimed opinions. 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.

We have previously made recommendations in our Audit Progress Report presented to the Audit & Governance Committee on 28 January 2026. Please see the control recommendations which have been summarised in Section 06 of this report.

As a result, we have reported by exception details of the significant weakness in the auditor's report (see Section 04). We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report.



04 Audit Report

264

Audit Report

Draft Audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD CITY COUNCIL AND GROUP

Disclaimer of Opinion

We were engaged to audit the financial statements of Oxford City Council and Group (‘the Council’) and its subsidiaries (the ‘Group’) for the year ended 31 March 2025. The financial statements comprise the:

- Oxford City Council and Group Movement in Reserves Statement,
- Oxford City Council and Group Comprehensive Income and Expenditure Statement,
- Oxford City Council and Group Balance Sheet,
- Oxford City Council and Group Cash Flow Statement
- the related notes 1 to 43 and related Group notes 1 to 11, including material accounting policy information and including the Expenditure and Funding Analysis,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes H1 to H8
- Collection Fund and the related notes CF1 to CF2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) (“the Regulations”) which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 (“the backstop date”).

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to the disclaimers of opinion on the financial statements in the prior years, delays in receiving draft financial statements, delays in receiving associated audit evidence and the inability to support the audit in advance of the backstop date, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council’s financial statements for the year ended 31 March 2025.

Therefore, we are disclaiming our opinion on the financial statements.

The audits of the financial statements for the years ended 31 March 2022, 31 March 2023 and 31 March 2024 for Oxford City Council and Group were not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 26 November 2024 and 28 February 2025 respectively.

In addition:

- as disclosed in Note 39, the Council did not apply the IAS 19 asset ceiling requirements set out in IFRIC 14 The Limit on a Defined Benefit Asset, when preparing the comparative information for the year ended 31 March 2024. The Council recognised the gross IAS 19 pension surplus as an asset without assessing whether economic benefits were available in the form of refunds or reductions in future contributions, as required by IAS 19 and IFRIC 14.

Application of the asset ceiling would have resulted in the recognition of a pension liability of £12,325k at 31 March 2024 rather than the pension asset of £24,015k reported by the Council. Accordingly, the Council overstated pension assets and understated remeasurement losses in Other Comprehensive Income by £36,340k in the comparative information. Management has not restated the prior-year comparative figures for this error.

In our opinion, the omission of this adjustment results in the comparative information being materially misstated.

- as disclosed in Note 34, the Council did not correct a material prior-period error relating to the recognition and classification of certain capital grants. Evidence obtained during the audit indicates that conditions for recognition were met prior to 1 April 2024 for grants totalling £16.9m. Had these grants been recognised in the appropriate periods, Taxation and Non-Specific Grant Income (Note 11), the Capital Grants Unapplied reserve and/or the Capital Adjustment Account would have been increased, and Grants Received in Advance decreased, in the prior periods.

In our opinion, the omission of this adjustment results in the comparative information being materially misstated.

- We also have an ongoing matter, which indicates potential non-compliance with laws and regulations for which we have received only limited information in respect of 2024/25. Due to the imposed backstop date, we were unable to perform sufficient additional audit procedures to determine whether this matter has any impact on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)

Audit Report (cont'd)

Draft Audit report

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work, having regard to the Code of Audit Practice 2024 and guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in relation to the specified reporting criteria of the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2025.

Significant weaknesses in arrangements – Governance:

Our judgement on the nature of the weakness identified

Our judgement is that the weakness identified reflects long-standing capacity issues within the finance team, which have consistently impacted the Council's ability to prepare working papers to support the amounts in the financial statements which are of the required quality, and to support the external audit process in a timely and effective manner.

The evidence on which our view is based

The planning and execution of the audits of the financial statements for the 2021/22 to 2024/25 periods which have been subject to delays and issues relating to the availability, quality and timeliness of delivery of audit information.

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.

Action required to address the weakness

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.

This issue is evidence of weaknesses in proper arrangements for Governance, specifically how the Council ensures effective processes and systems are in place to support its statutory financial reporting requirements

Responsibility of the Group Finance Director

As explained more fully in the Statement of the Group Finance Director's Responsibilities set out on page 6, the Group Finance Director is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Group Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Group Finance Director is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so. The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether the Oxford City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Oxford City Council put in

Audit Report (cont'd)

Draft Audit report

place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether Oxford City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

267 Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Oxford City Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Oxford City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
Date:



05 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following audit differences which have been corrected by management that were identified during the course of the audit:

- Corrected misclassification in Group accounts £4.5m: there was a reclassification of group other operating income to group other operating expenditure
- Misclassification of bad debt provisions from the RDS long-term debtor amounting to £1.59m and Council Tax debtors amounting to £0.43m.
- Correction of IFRS 16 lease accounting for "1-5 Broad Street," including depreciation and interest entries amounting to £.065m and the remeasurement of the ROU asset and liability amounting to £4.3m.
- IFRS 16 reclassification for peppercorn leases, moving recognition from service charges to Taxation & Non-Specific Grant Income amounting to £9.5m.

269

For 2024/25, we noted that OxCity had not applied the IAS 19 asset ceiling in the draft financial statements, resulting in an overstated pension asset of £82.791m. Our review of the March 2025 results schedule identified a required asset-ceiling adjustment of £104.592m, which affects the CIES, Balance Sheet and related pension disclosures. OxCity has confirmed that the final accounts will be updated to reflect the full asset-ceiling impact.

- Reclassification adjustments between General Fund and HRA income/expenditure, including a £0.35m correction and a £0.70m post-year-end reclassification.

Audit Differences (cont'd)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit & Governance Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Governance Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2025 (£'000)	Effect on the current period		Net assets (Decrease)/Increase				Equity components Debit/ (Credit)
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	
Errors							
Factual differences:							
Misclassification of bad debt provisions related to opening balances originating from the RDS long-term debtor and Council Tax debtors			(451)	(1,596)	451	1,596	
Asset ceiling impact relating to 2023/24, had not been reflected in prior-year financial statements.				(36,340)			36,340
Non-specific capital grants were recognised in the incorrect year, with conditions met in prior periods, resulting in prior-year CIES misstatement and opening balance adjustments not posted by management		(16,857)				16,857	
Projected differences:							
Revenue recognised before being earned due to the AP2 policy of not accruing receipts under £500		531			(531)		
Projected misstatements relating to insufficient audit evidence and classification errors.		(393)	393				

270

Audit Differences (cont'd)

Summary of unadjusted differences (cont'd)

	Effect on the current period		Net assets (Decrease)/Increase				Equity components Debit/(Credit)
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)	
Uncorrected misstatements 31 March 2025 (£'000)							
Errors							
Projected differences:							
Car park income was recognised in FY 24/25 as part of expenditure.		8,322 (8,322)					
Balance sheet totals			(58)	(37,936)	(80)	18,452	37,920
Income effect of uncorrected misstatements		(16,719)					
Turnaround effect. See Note 1 below.							
Turnaround of PY Factual misstatement: Factual error due to incorrect inputs provided to the valuer resulting in overstatement of Investment Property (Asset ref: Broad st, 23 -24)		(371)					
Turnaround of PY Factual misstatement: IAS 19 asset ceiling		(36,340)					
Turnaround of PY Factual misstatement : Grants		16,857					
Turnaround of PY Projected misstatement: Garden waste service contracts		(579)					
Turnaround of PY Projected misstatement: Expenses recorded in FY24/25 relate to previous years		(2,240)					
Turnaround of PY Projected misstatement: Judgemental difference relating to land value of Ramsay House		(1866)					
Cumulative effect of uncorrected misstatements, after turnaround effect		(41,258)					

Note 1: turnaround effect is the impact of uncorrected misstatements related to the prior period, on results of the current period.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you deficiencies in internal control including group-wide that merits the attention:

Description

Supporting an external audit

There is a significant weakness in the Council's governance arrangements, specifically relating to its capacity to support the external audit process and produce timely, accurate, and sufficiently evidenced financial statements. Over multiple audit cycles (2021/22 to 2024/25), the Council has been unable to provide adequate and timely audit evidence—most notably for PPE and investment property valuations, grants received in advance, and debtor/suspense balances (including £8.18m held in suspense)—with persistent delays, incomplete documentation, and inadequate working paper quality. These issues, compounded by finance team capacity constraints and data problems linked to the QL Housing system, have resulted in repeated scope limitations and disclaimed audit opinions, demonstrating that the Council does not currently have effective processes to meet its statutory financial reporting obligations.

Year end accounting

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

- During the year-end audit, we identified several instances where key accounting judgements and technical assessments were not performed appropriately:
- IAS 19 Asset Ceiling - The Council recognised a pension asset in both 2023/24 and 2024/25 without applying the IFRIC 14 asset ceiling, despite actuarial valuations indicating a net liability position. This resulted in a material overstatement of net assets, requiring correction in 2024/25. Prior-year comparatives remain materially misstated due to management's decision not to restate.
- Capital Grants Accounting - Prior-year grant conditions had been met, but balances were incorrectly held within Grants Received in Advance. Instead of posting a prior-period adjustment, management recognised all impacts in 2024/25, overstating income and misstating reserves.
- Financial statement close process - the process would be improved with a transparent and clear audit trail of changes and updates made to the draft financial statements which flowed through to the final set of statements.

Recommendation

The Council should undertake an urgent and comprehensive strengthening of its financial reporting and audit-support processes. This should include a full review of finance team workflows; targeted increases in capacity; and the implementation of a robust quality-assurance framework for year-end working papers, including clear prepared-by/reviewed-by controls. The Council should introduce a joint audit project-management process to monitor delivery against deadlines. These measures are necessary to restore reliable financial reporting, meet statutory requirements, and mitigate the risk of further qualified or disclaimed audit opinions.

We recommend that management review their year end accounting processes to ensure the appropriate level of evidence, challenge and robustness to support the amounts and disclosures contained within the financial statements. We are happy to provide further detail and observations to help refine the process.

Assessment of Control Environment

Description

Cut-off, Income Recognition, misclassification and Suspense Account Controls

We identified several deficiencies affecting the completeness, accuracy and cut-off of income, expenditure and debtor/creditor balances:

- Rental income cut-off weaknesses: Misapplication of Accounting Policy 2 led to incorrect recognition of cross-year rental periods. No preventive or detective control exists to validate cross-year postings. Additionally, some year-end adjustments were posted on a cash basis rather than applying accrual accounting.
- Long-standing overbilling (Agresso billing module): Billing parameters were not updated or periodically reviewed, resulting in overbilling from 2021-2024. No exception reporting or supervisory review detected the issue.
- Debtor cut-off errors (Significant Deficiency): Cancelled invoices and credit notes issued after year-end were not reflected as adjusting events. Income relating to 2025/26 was also recognised prematurely.
- Recurring uncleared suspense/holding accounts: £1.5m (below TE but recurring) remained in debtor suspense accounts at year-end. Similar issues also existed in LT creditors (Cash Suspense Reserve not cleared).
- OxCity could not provide supporting evidence for items in the cash suspense reserves in Creditors (£628,205.57), as these balances are still under investigation.
- Car park income was incorrectly recorded as expenditure, resulting in understatement of both income and expenditure. This indicates that neither system controls nor manual reviews detected the error.
- Expenditure transactions were incorrectly posted to income accounts, indicating that controls over the accurate classification of income and expenditure within the general ledger are not operating effectively. There is insufficient review to ensure transactions are recorded in the correct nominal accounts.

Expenditure Cut-off Controls

Testing identified that expenditure relating to the prior year was recorded in the current period, indicating ineffective period-end review controls and inconsistent application of cut-off procedures. This represents a significant deficiency.

Recommendation

We recommend that management:

- Implement automated or rule-based cut-off validation for rental and licence income
- Introduce periodic billing configuration reviews, exception reports, and documented change-control processes
- Strengthen adjusting-event procedures for debtors and creditors
- Require monthly clearance and reconciliation of all suspense and holding accounts
- Enhance reviewer checklists for year-end journals and cross-year postings
- Promptly investigate and clear the recurring suspense balances. Stronger controls, including documented support and regular reconciliations, should be established to ensure timely resolution of future entries.
- Should introduce classification checks and supervisory review of unusual postings.
- Strengthen the review process to ensure transactions are coded to the correct income or expenditure accounts.
- Improve staff guidance and routine checks to prevent costs being posted as income and to ensure accurate coding in the general ledger.

We recommend that management should reinforce and evidence expenditure cut-off checks, introduce exception analytics for post-year-end invoicing, and ensure supervisory review is documented and challenge is clearly performed.

274

Assessment of Control Environment (cont'd)

Description

Recommendation

IFRS 16 - Right-of-Use Asset and Lease Accounting Controls

We identified several deficiencies in the operation of IFRS 16 processes:

- Valuation amounts for the leased-in dwelling were appropriately brought forward as opening deemed values on transition to IFRS 16. Guidance then requires that from the date of initial application forwards the right-of-use asset and the lease liability are accounted for by applying IFRS 16
- Contract scoping errors due to inconsistent tagging in the IFRS 16 contract workbook
- Unsupported interest rates used in calculating ROU asset and lease liability values, increasing the risk of measurement errors

We recommend management should:

- Re-measure the relevant ROU assets at the financial year-end based on the valuation methodology permitted under IFRS 16 for ROU assets
- Apply consistent scoping procedures with controls ensuring completeness of contracts
- Establish a formal methodology for determining and documenting discount rates, supported by evidence and reviewer sign-off
- Enhance the IFRS 16 review process and improve the reliability of the contract workbook

275 HRA Rents - Control Not Operating

The Council was unable to demonstrate that annual checks on Council Dwelling rents were performed. The absence of evidence means the control was considered not operating in the year.

We recommend that the Council ensures the control is performed and evidenced consistently, with documentation retained to support audit requirements.

Contracts and Agreements

The client was unable to provide key contract documents for testing, preventing the audit team from performing planned procedures.

We recommend that management review their policies and procedures for the storing, accessing and providing of information in order to support an external audit. We are happy to provide further detail and observations to help with this review.

S106 Grants (Developer Contributions)

OxCity is holding unspent S106 developer contributions without using them within required timescales or returning them to developers.

OxCity should:

- Establish a formal process to monitor S106 developer contributions, including a central register tracking deadlines, conditions, and unspent balances.
- Regular reviews and clear ownership should be introduced to ensure funds are used within required timescales or appropriately returned.
- Strengthening oversight will help maintain compliance and reduce the risk of financial or reputational impacts.

Assessment of Control Environment (cont'd)

Description

Recommendation

Pension Contributions & Rental Income Walkthrough Issues

During walkthrough procedures, we noted two control weaknesses:

Pension contributions: The Council submitted an incorrect employer pension contribution rate (16.2% instead of 13.4%), resulting in overpayments. This indicates that verification checks over pension submissions were not operating effectively.

Rental income: A signed rental contract could not be provided for a walkthrough sample, limiting our ability to confirm key terms and reducing assurance over the validity of income recognised. This reflects weaknesses in contract retention and documentation controls.

Management should implement validation checks to ensure pension contribution rates agree to the approved fund agreement and introduce periodic reconciliations.

For rental income, fully executed contracts should be retained in a central location to support income recognition and audit evidence requirements.

Governance and Authorization Controls

Movements in earmarked reserves were approved informally without following Constitution-mandated s151 or member-level approvals. This weakens governance compliance and increases the risk of misstatement in the Movement in Reserves Statement.

We recommend a strict adherence to approval routes, supported by a documented audit trail of all reserve movements and formalised oversight.

276



07

Other Reporting Issues

277

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Oxford City Council Statement of Accounts 2024/25 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Oxford City Council Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

278 We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) 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 it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest/issue statutory recommendations under Schedule 7.



08

Independence

279

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

Confirmation

We are not aware of any inconsistencies between the Council's policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that the independence threats created by the level of the audit fees are at an acceptable level.

2024 We confirm that we have communicated with the Audit and Governance Committee, information about the proposed non-audit service to enable them to make an informed assessment about the independence impact of the provision of the proposed service(s). There are no non-audit services in relation to Oxford City Council.

2024 We have re-affirmed the general policy/process for pre-concurrence with those charged with governance and obtained specific pre-concurrence for services not covered by the general policy. We re-affirm this annually.

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: [EY UK Transparency Report](#).

Relationships

There are no relationships from 01 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 01 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

281

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ 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.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Prior Year
	£m	£m
Scale Fee – Code Work	£244,806	£227,346
Proposed scale fee variation	Note 2	Note 1
Total audit	TBC	TBC
Other non-audit services not covered above (Housing benefits)	0	0
Total other non-audit services	0	0
Total fees	TBC	TBC

All fees exclude VAT

(1) As set in our 2023/24 Audit Results Report a scale fee variation was submitted to PSAA covering the following areas:

- The new ISA 315 and IFRS 16 standards, additional work undertaken due to change in materiality, work relating to PPE valuations, additional requirements relating to the audit of the LGPS, quality/preparation issues and consultations relating to the disclaimed opinion.
- As at the date of this report that scale fee variation has not yet been determined.

(2) Following the completion of the 2024-25 work a final proposed fee will be determined. As explained in our Audit Planning Report, for 2024-25 the planned fee represents the base fee, i.e. not including any extended testing.

We will estimate the impact of the additional audit procedures performed will include (i) to respond to additional audit risks in relation to Revenue recognition of Rental income; (ii) delays in obtaining information for audit samples; (iii) any other areas where the audit work required was additional to the scope planned within the scale fee, for example due to lower levels of materiality; (iv) additional fees arising from the use of specialists; (v) NOCLAR-related responses, including those relating to the cyber-attack; (vi) work performed on the prior-year adjustment (PYA) assessment; (vii) technical consultations in respect of the audit opinion; (viii) additional audit procedures required due to the first-year implementation of IFRS 16; (ix) work performed in response to the identified significant weakness for VFM; and (x) extended financial statement review process with multiple iterations of the final statements

All additional scale fee adjustments are subject to PSAA approval.

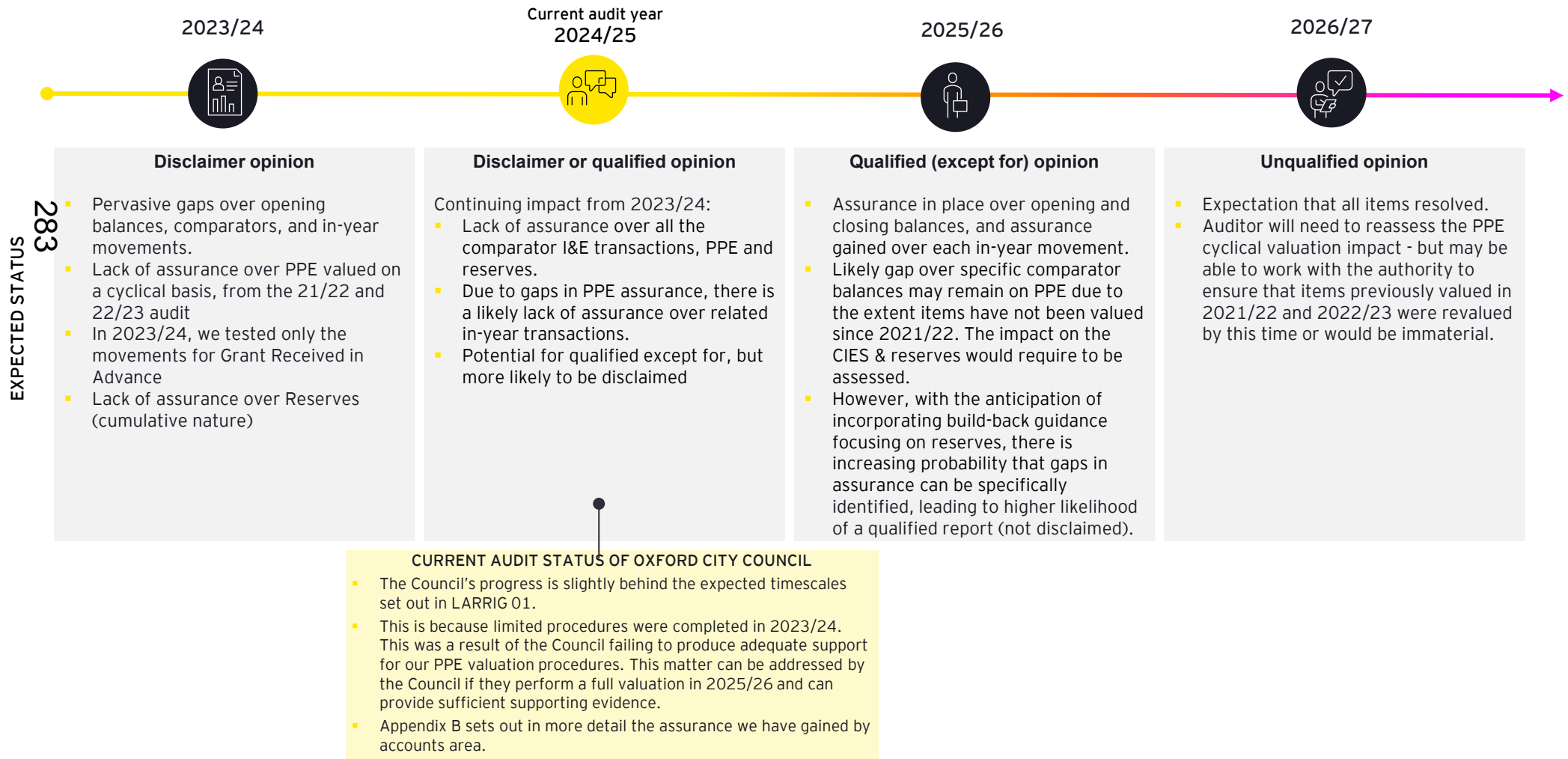


09 Appendices

Appendix A – Progress to full assurance

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



Appendix B – Updated summary of assurances

Summary of Assurances

The table below summarises the audit work we have completed on the 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	None	We have not been able to complete all of our planned testing on the Property, Plant and Equipment in 2024/25. Due to the imposition of the statutory backstop date of 27 February 2026 we were unable to conclude on whether this led to misstatements in the accounts.
Investment Property	None	We have not been able to complete all of our planned testing on the Property, Plant and Equipment in 2024/25. Due to the imposition of the statutory backstop date of 27 February 2026 we were unable to conclude on whether this led to misstatements in the accounts.
284 Intangible Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Heritage Assets	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term and Short Term Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025 other than we noted £1,512,556 in a suspense account relating to payments received by the Council. However, as this had not been allocated to Individual debtors which we could not obtain full assurance over the net balance, due to the lack of supporting documentation available from the Council. We have therefore reduced our RAG rating over debtors to partial assurance as we can isolate this within the net debtors balance presented and all other procedures over the debtor balance have been completed.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2024/25	Summary of work performed
Local Government Pension Scheme Liability	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Leases	Partial	We do not have assurance over the fair value valuations of the Right of use asset balances carried forward from prior year. In addition, limitations in testing the 2024/25 valuation meant we were unable to complete the required procedures over the current-year valuation and related estimates for the closing balances.
Creditors (long term)	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025 other than we noted £628,205.57 in a suspense account relating to payments made by the Council. However, as this had not been allocated to Individual Creditors which we could not obtain full assurance over the net balance, due to the lack of supporting documentation available from the Council. We have therefore reduced our RAG rating over Creditors to partial assurance as we can isolate this within the net Creditors balance presented and all other procedures over the creditor balance have been completed.
Creditors (short term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Revenue Contract Liabilities	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Grants received in advance	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Officers Remuneration and Exit Packages including termination benefits	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

285

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2024/25	Summary of work performed
Reserves	None	<p>We have completed our work on the movements in reserves for 2023/24 and 2024/25, with the exception of the Revaluation Reserve, Capital Adjustment Account, Deferred Capital Receipts Reserve and Capital Receipts Reserve, as no audit work has yet been performed over the PPE and Investment Properties balances.</p> <p>In addition, the Council did not provide responses to a number of audit queries, which restricted the extent of evidence available to us.</p> <p>However, until the wider work programme to rebuild assurance following the previously disclaimed audit opinions is complete, we are unable to obtain assurance over the Council's usable and unusable reserves as reported in the financial statements. Furthermore, due to the statutory backstop date of 27 February 2026, we were unable to conclude on whether the absence of responses and the incomplete audit evidence resulted in misstatements within the accounts.</p>
All Other Disclosures (incl Accounting policies, Cash flow statement)	Partial	<p>We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. As we do not have assurance over the opening balance position at 1 April 2024, we are unable to obtain assurance that all of the in-year movements recorded in the disclosures are accurate.</p> <p>Key disclosures for which we do not have full assurance include the Expenditure and Funding Analysis which is impacted for the same reason as the Comprehensive Income and Expenditure Statement.</p>
Capital Expenditure and Financing	None	<p>We have not been able to complete all of our planned testing in 2024/25. Due to the imposition of the statutory backstop date of 27 February 2026 we were unable to conclude on whether this led to misstatements in the accounts.</p>
Comprehensive Income and Expenditure Statement	None	<p>We have not been able to complete all of our planned testing in 2024/25. Due to the imposition of the statutory backstop date of 27 February 2026 we were unable to conclude on whether this led to misstatements in the accounts.</p>
Collection Fund	Substantial	<p>We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.</p>
Housing Revenue Account (incl relevant disclosure notes)	*Partial	<p>We have completed our planned testing on the Housing Revenue Account for 2024/25. However we have no assurance over the associated HRA disclosure notes due to work not completed on property valuations and also the Council did not provide responses to several audit queries required to complete our work.</p> <p>In addition, due to the imposition of the statutory backstop date of 27 February 2026, we were unable to conclude on whether the absence of responses and the resulting limitations in audit evidence led to misstatements within the HRA.</p>
Group Accounts	Substantial	<p>We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.</p>

Appendix C – Required communications with those charged with governance

Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit & governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: <ul style="list-style-type: none"> ▪ The planned scope and timing of the audit ▪ Any limitations on the planned work to be undertaken ▪ The planned use of internal audit ▪ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report at the Audit & Governance Committee on 23 July 2025 (issued 29 April 2025)
Significant findings from the audit	<ul style="list-style-type: none"> ▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process 	Progress report issued on 15 January 2026 and Final Audit results report- February 2026

287

Appendix C – Required communications with those charged with governance (cont'd)

Required communications	What is reported?	Our Reporting to you
		When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements 	Progress report issued on 15 January 2026 and Final Audit results report- February 2026
Misstatements	<ul style="list-style-type: none"> ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management 	Progress report issued on 15 January 2026 and Final Audit results report- February 2026
Fraud	<ul style="list-style-type: none"> ▪ Enquiries of the audit & governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ Others where the fraud results in a material misstatement in the financial statements. ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▪ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility. 	Progress report issued on 15 January 2026 and Final Audit results report- February 2026

288

Appendix C – Required communications with those charged with governance (cont'd)

289

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity 	Progress report issued on 15 January 2026 and Final Audit results report- February 2026
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report at the Audit & Governance Committee on 23 July 2025 (issued 29 April 2025)</p> <p>Progress report issued on 15 January 2026 and Final Audit results report- February 2026</p>
External confirmations	<ul style="list-style-type: none"> ▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures. 	Progress report issued on 15 January 2026 and Final Audit results report- February 2026
Consideration of laws and regulations	<ul style="list-style-type: none"> ▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the audit & governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit & governance committee may be aware of 	Progress report issued on 15 January 2026 and Final Audit results report- February 2026
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit. 	Progress report issued on 15 January 2026 and Final Audit results report- February 2026

Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> ▪ An overview of the type of work to be performed on the financial information of the components ▪ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▪ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▪ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▪ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	<p>Audit Planning Report at the Audit & Governance Committee on 23 July 2025 (issued 29 April 2025)</p> <p>Progress report issued on 15 January 2026 and Final Audit results report- February 2026</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▪ Written representations we are requesting from management and/or those charged with governance 	<p>Progress report issued on 15 January 2026 and Final Audit results report- February 2026</p>
System of quality management	<ul style="list-style-type: none"> ▪ How the system of quality management (SQM) supports the consistent performance of a quality audit 	<p>Progress report issued on 15 January 2026 and Final Audit results report- February 2026</p>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▪ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	<p>Progress report issued on 15 January 2026 and Final Audit results report- February 2026</p>
Auditors report	<ul style="list-style-type: none"> ▪ Key audit matters that we will include in our auditor's report ▪ Any circumstances identified that affect the form and content of our auditor's report 	<p>Progress report issued on 15 January 2026 and Final Audit results report- February 2026</p>

Appendix D – Outstanding matters

Outstanding matters

Item	Actions to resolve	Responsibility
Review of workpapers	Review of all remaining	EY
Statement of accounts	Confirmation of all changes having been made	EY and management
Management representation letter	Receipt of signed management representation letter	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Appendix E – Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- 292 Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

Appendix F – Management representation letter

Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young LLP

R+ Building

2 Blagrove St

Reading

RG1 1AZ

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of Oxford City Council and Group ("the Group and Authority") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Authority financial position of Oxford City Council and Group as of 31 March 2025 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We understand that the purpose of your audit of our consolidated and parent Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 for the Group and the Authority that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.

Appendix F – Management representation letter (cont'd)

Management representation letter

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority’s business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the consolidated and parent Authority financial statements.
3. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements.

4. We have made available to you all minutes of the meetings of the Group and Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]*.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.
6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25
7. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.
9. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the consolidated and parent Authority financial statements, including disclosures.

Appendix F – Management representation letter (cont'd)

Management representation letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.

E. Going Concern

1. Note 43 to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than the non-adjusting event described in Note 5 to the consolidated and parent Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement included within the financial statements and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of

those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the consolidated and parent financial statements.

J. Reserves

1. We have properly recorded or disclosed in the consolidated and parent Authority financial statements the useable and unusable reserves.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment properties, provisions and pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

Property, Plant and Equipment, Investment Properties, Provisions and Pension Liability

1. We confirm that the significant judgments made in making the valuation of property, plant and equipment, investment properties, provisions and pension liability have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant and equipment, investment properties, provisions and pension liability.
3. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, investment properties, provisions and pension liability appropriately reflect our intent and ability to carry out valuations on behalf of the entity.

Appendix F – Management representation letter (cont'd)

Management representation letter

4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant and equipment, investment properties, provisions and pension liability estimate.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Authority financial statements.

296 M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Nigel Kennedy – Group Finance Director & S151

Councillor James Fry - Chairman of the Audit & Governance Committee

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