Oxford City Council

Internal Audit Progress Report

July 2026

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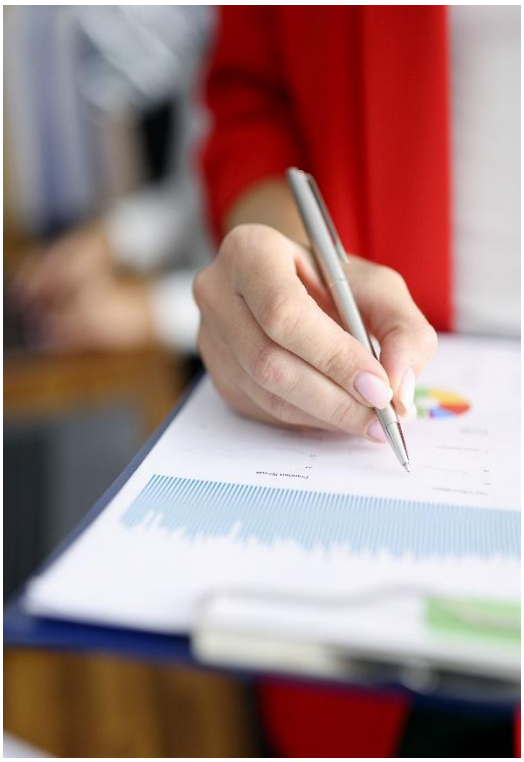
Summary of work

Internal Audit



This report is intended to inform the Audit and Governance Committee of progress made against the 2025/26 and 2026/27 internal audit plans. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Global Internal Audit Standards in the UK Public Sector. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal audit methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report and are based on us giving either 'substantial', 'moderate', 'limited' or 'no' opinion. The four assurance levels are designed to ensure that the opinion given does not gravitate to a 'satisfactory' or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

Internal audit plan 2025/26

We are pleased to present the following reports to this Audit and Governance Committee meeting:

- Leisure Services
- Data Analytics
- Client and Commissioning (Advisory Review).

Other reports/updates

- We will also be presenting the Annual Opinion covering the period 1 April 2025 to 31 March 2026 for Oxford City Council and the Group.
- We are well underway with planning 2026/27 audits and these will be presented to Audit and Governance Committee meetings throughout the financial year.

EXECUTVE SUMMARY – LEISURE SERVICES

CRR REFERENCE: CRR002 – OXFORD MODEL – FAILURE TO DELIVER COUNCIL OBJECTIVES AND EXPECTED FINANCIAL RETURNS.

CRR003 – WORKFORCE SUSTAINABILITY – DELIVERY OF FUTURE AMBITIONS.

Design Opinion	Moderate	Effectiveness Opinion	Moderate
Recommendations	0	5	1

SCOPE

Background

- Guidance from Sport England states to make an effective investment into leisure facilities and services, it is essential to have a clear, strategic and sustainable approach to sport and physical activity.
- Local authorities should also select the most appropriate leisure management model to ensure good quality, affordable sport and leisure facilities.
- Quest are the UK quality scheme for sports and leisure facilities, designed to assess and improve the effectiveness of leisure centres and sports development teams. It is a continuous improvement tool, particularly focused on customer service and operational standards. The Scheme is managed by Right Directions on behalf of Sport England.
- In January 2024, Oxford City Council (the Council) opted to award a ten-year contract (with a five-year extension option) to Serco Leisure Operating Ltd (Serco), having previously held a contract with Fusion Lifestyle, for managing and developing the Council's three leisure centres including, Hinksey Outdoor Pool and the Oxford Ice Rink.
- More Leisure Community Trust is an independent not for profit legal entity that partners with Serco who deliver services on their behalf through a Managing Agency Agreement.
- A Leisure Annual Service Plan is issued by Serco which documents the partnership with the Council, background on the health inequalities in the area, prior year achievements and highlights, key deliverables for the upcoming year and performance reporting through key performance indicators. There is an associated Risk Register that is linked to the Annual Service Plan.
- The Council undertake monthly client meetings with Serco with areas of focus including day to day performance (including health and safety, finance, maintenance, customer feedback and staffing), with a clear emphasis on adherence to conditions and targets outlined in the Annual Service Plan.
- The Council will receive spreadsheets from Serco which can be used to drill down on data to analyse for anomalies to raise at client meetings and the Leisure Strategic Partnership Board. The Council are in the process of looking to implement Power BI reporting to ensure data is formatted consistently and trend analysis is therefore available.
- A Leisure Strategic Partnership Board has recently been set up by the Council in September 2025, which establishes a partnership philosophy between the Council, More Leisure Community Trust and Serco; the first meeting was in February 2026. The Partnership Board meet quarterly with objectives including but not limited to:
  - Increase the number and diversity of young people taking part in activities.
  - Increase satisfaction levels with leisure centres.

- Continually increase scores in Customer Service Excellence accreditation.
- Achieve accreditation to national quality schemes such as Quest.

Purpose

- The purpose of the audit was to review controls in place to ensure leisure contracts are appropriately managed and to confirm if providers are fulfilling their defined responsibilities.

Areas reviewed

- Governance arrangements in place at the Council, including agreements with Serco to assess if roles and responsibilities had been clearly defined and there was appropriate ongoing communication undertaken.
- The underlying contract held between the Council and Serco and subsequent meetings and communication to ensure that any potential changes in contractual arrangements received appropriate oversight and scrutiny by the Council.
- The Leisure Annual Service Plan to determine if it was clear, robust and appropriately defined performance targets for 2025/2026 between Serco and the Council. We also assessed performance reporting provided to the Council by Serco to ensure it aligned to source data and was relevant to the key performance indicators (KPIs) in the Annual Service Plan to facilitate trend analysis and tracking.
- Programmes and initiatives which have been launched as part of the Active Communities Deliverables noted in the Annual Service Plan to help reduce health inequalities across the Local Authority. This included how these were promoted to the wider community and if/how user feedback and data was collected, analysed and reported for each programme and initiative offered.
- Processes for ensuring that there were strong systems of oversight and governance with regards to health and safety, maintenance of equipment and consideration of accessibility needs at sites. This incorporated what reporting fed back to the Council and how potential risks were identified and mitigated.
- Feedback and complaints procedures, including if these were accessible for the required needs of the users, were actively promoted, and ensured the user felt valued as a customer. We reviewed a sample of complaints and feedback to assess how appropriately and timely they were handled.
- The business continuity arrangements of Serco as a contractor. As part of this we spoke to Serco to assess their preparedness for incidents such as cyber-attacks or loss of customer data.

AREAS OF STRENGTH

- There are defined governance arrangements in place at several levels regarding leisure services, including but not limited to:
  - Weekly meetings held between the Leisure and Active Wellbeing Manager and Serco Contract Manager to discuss outstanding actions.
  - Formal in person monthly Oxford Partnership meetings, rotating through each of the leisure centres. The Active Communities Manager, Leisure and Active Wellbeing Manager and any other relevant Council employees attend the meeting along with the Serco Contract Manager and on occasion, the Serco Regional Manager.
  - Quarterly maintenance meetings led by the Council's Property Team discussing required change at each location.
  - Additional internal Council led meetings, taking place bi-monthly with Council representatives from legal, sustainability, leisure and property functions.
  - Monthly reporting into the Communities Change Board, which is chaired by Deputy CEO, providing a position on leisure in general.
  - Annual Scrutiny and Cabinet reporting, with the Scrutiny Committee meeting on 10 June 2025 to consider the Leisure Investment Programme Update and Leisure Annual Service Plan, which was later approved by Cabinet.

- Monthly updates regarding progress against the Annual Plan with the appropriate Cabinet member and the Active Communities Manager.
- Monthly corporate dashboard report is provided to the Corporate Leadership Team (CLT) with relevant leisure updates.

- The Council is initiating from February 2026 a Strategic Board in collaboration with local external stakeholders, such as representatives from Public Health and the region's Integrated Care Board. The involvement of these key stakeholders presents an opportunity to enhance future strategies, service plans, and key performance indicators (KPIs) through specialist insight and guidance particular with regards to health inequalities.
- In April 2026 an external contractor FMG will benchmark the leisure arrangements against other authorities, which will provide some good practise learning opportunities.
- Whilst there have not yet been any changes to the contract with Serco, a comprehensive, signed contract is in place which has a detailed change procedure if variations were to be required.
- The Council have several strong working relationships to help enhance their leisure services which include relationships between the Active Communities Manager with Sport England and Public Health. The Active Communities Manager has also been invited to be a CLOA Executive (Chief Cultural and Leisure Officers Association), recently attending the All-Party Parliamentary Group for Swimming.

AREAS OF CONCERN

- From our review of a sample of complaints there have been some that have not been appropriately recorded or resolved in a timely manner. There are also examples of some complaints being held by Serco that have not been suitably recorded impacting the confidence in evidencing some parts of the complaint handling process **(Finding 1 - Medium)**.
- There are some examples of objectives in the Leisure Annual Service Plan that are not SMART (Specific, Measurable, Achievable, Relevant, Time-bound) objectives. **(Finding 2 - Medium)**.
- Maintenance actions are not assigned an appropriate due date according to their risk level **(Finding 3 - Medium)**.
- An appropriate marketing plan and process for collecting and analysing feedback, specifically in relation to health inequalities sessions, was not in place at the time of the audit, however has since been provided to the Council by Serco. **(Finding 4 - Medium)**.
- The Council's Business Continuity Plan is outdated and therefore not fit for purpose **(Finding 5- Medium)**.
- Actions included with Oxford Partnership meeting minutes are not appropriately assigned a due date and the completion date is not recorded to demonstrate overdue actions **(Finding 6 - Low)**.

CONCLUSION

We have concluded that the control design to ensure leisure contracts are appropriately managed to confirm providers are fulfilling their responsibilities is **Moderate** and the control effectiveness is **Moderate**.

Control Design

The control design is **Moderate** as there is generally a sound system of internal control designed to achieve system objectives with some noted exceptions.

Whilst there are some elements of good practise within the control design such as the strong governance structure our review has identified areas requiring improvement. These include the lack of some elements of feedback and analysis procedures in place to support and enhance health inequality-focused sessions.

The Council's Business Continuity Plan is outdated and no longer aligned to current service structures, operational risks, or contractor arrangements. This presents a risk that, in the event of a major incident or service disruption, the Council and its leisure provider may be unable to respond effectively, potentially impacting service continuity and customer safety.

Control Effectiveness

The control effectiveness is **Moderate** as there is evidence of noncompliance with key controls. There are improvements that can be made in relation to the tracking and confirmation of complaint resolution between the Council and Serco, creating a risk that statutory Local Government Ombudsman response targets may in some cases not be met. This reduces assurance that customer concerns in some cases are being addressed consistently, promptly, and to an acceptable standard.

In addition, Leisure Annual Service Plan includes some objectives which are not SMART, reducing the Council's ability to monitor provider performance effectively or to measure progress in some cases against strategic priorities. Without full set of clearly defined and measurable performance expectations, there is reduced transparency and accountability in some areas of contract delivery.

We also identified weaknesses in the management and oversight of maintenance activities. Health and safety maintenance actions are assigned inappropriate system-generated due dates, resulting in all activity appearing as overdue. This undermines effective scrutiny, as it is not possible to distinguish genuinely overdue high-risk actions from those that have been miscategorised, increasing the potential for unaddressed safety issues.

EXECUTVE SUMMARY – DATA ANALYTICS

CRR REFERENCE: 001: FINANCIAL STABILITY – UNABLE TO DELIVER PLANS AND CORPORATE PRIORITIES DUE TO INSUFFICIENT FINANCE.
002: OXFORD MODEL – FAILURE TO DELIVER COUNCIL OBJECTIVES AND EXPECTED FINANCIAL RETURNS.

Design Opinion	Moderate	Effectiveness Opinion	Moderate

Recommendations	0	2	0

SCOPE

Background

- Oxford City Council (the Council) uses Agresso as its main financial management system which holds transaction and standing data for accounts payable and accounts receivable, which the finance department are responsible for. The Finance Team can run scripts on Agresso to extract necessary datasets.
- The Council's scheme of delegation is continuously updated each year as staff change roles. We take note of varying authorisation limits year-to-year where we run tests relevant to accounts payable transaction approvals. Where sundry suppliers are being used regularly, a due diligence process should be undertaken.
- The Council's ICT team own and manage file transfer protocol (FTP) sites which we have used for transferring sensitive payroll information. HR are responsible for payroll and payroll transactional data is stored on the Council's iTrent system.
- The Council does not process a significant number and/or value of expenses payments. However, we have reviewed purchase card transactions and assess whether the spend is in accordance with Council Policy.
- In 2024/25 we carried out the data analytics review covering the following areas:
  - Accounts payable
  - Accounts receivable
  - Payroll functions
  - Purchase card transactions.
- We issued a Moderate opinion on the control design and effectiveness due to three medium findings. We found that there was no Policy in place to highlight the job titles of authorised purchase card holders, expenditure limit and list of eligible and prohibited transactions.
- We also identified a total of 613 debts relating to easements (totalling £72k) that had been overdue for several years (oldest debt being 2011). We recommended management to cleanse the data that was written off or no longer active and continue to pursue the debts that were feasible to recover. We also raised a recommendation around a lack of due diligence for customers who had breached or were likely to breach the due diligence threshold within a financial year.
- We used a BDO-designed tool to carry out substantive testing on the key risks associated with these areas.

Purpose

- The purpose of the review was to provide assurance for data analytics on main financial system information including the ledger and payroll. This included conducting data analytics testing and subsequent follow up on red flags identified.

Areas reviewed

We extracted the following reports for the review:

Accounts Payable

- List of all payments made by the Council between 1st January and 31st December 2025 comprising detail such as PO number, invoice number, date of payment and name of the approvers.
- Suppliers list as of 31st December 2025.
- List of purchase card spend between 1st January and 31st December 2025.
- Suspense account as of January 2026.
- Report containing cost centre rules.
- Report containing account users and their substitutes for delegated approval.

Accounts Receivable

- Aged debt analysis as of 31st December 2025.
- List of all customers as of 31st December 2025.
- List of all income received between 1st January and 31st December 2025.

Payroll

- Payroll standing data.
- List of all payments made by the Council to staff between 1st January and 31st December 2025.
- Report containing employee details such as National Insurance (NI) numbers, bank details, address, and names.

We found all the reports were timestamped to a time just before they were sent to us increasing our assurance that the data provided was accurate.

We analysed the above reports, and we presented the exceptions to the corresponding manager within each service area to investigate the exceptions identified. Our analysis is based on transactional data between 1st January and 31st December 2025. We have outlined the data analytics test results below, and corresponding investigation responses can be found in the Detailed Findings section of the report

Area	No of tests planned	No of tests with no exceptions	No of tests with exceptions
Accounts Receivable	5	0	5
Accounts Payable	12	3	9
Payroll	6	4	2
Total	**23**	**7**	**16**

AREAS OF STRENGTH

Accounts Payable

- Our analysis of all invoices paid by the Council between 1st January and 31st December 2025 identified one instance where a duplicate invoice had been paid. On investigation, this related to the invoice being paid to the incorrect supplier; a credit note was subsequently issued, and the invoice was repaid correctly. We did not identify any cases where purchase orders and invoices were both raised and authorised by the same officer, demonstrating that segregation of duties had been maintained.
- No matches were identified between employee and supplier bank details. We noted three instances where payments appeared to have been made before the Goods Received Note (GRN) had been recorded; however, further review confirmed this was a system function and that the payments had in fact been issued after the GRN, as evidenced by the payment remittance history.

- We identified eight cases where purchase orders were raised retrospectively, after the corresponding invoice had been received. Seven of these related to situations where credit notes were issued by suppliers and the subsequent purchase order covered only the adjusted value. One case related to a Construction Related Scheme (CIS)-related payment that had not been initially identified and therefore required a later adjustment.
- For duplicate supplier details, we examined five exceptions each for names, addresses and bank details. In the cases relating to names, three instances related to companies operating multiple branches and two to a landlord requesting payment to alternative accounts. Duplicate bank-detail exceptions were attributable either to factoring arrangements, which are where companies sell their unpaid invoices to a third party in order to receive the money immediately opposed to when the Council pays or to the same organisation using separate departments such as different lawyers at working out the same practice. Duplicate addresses were attributable to shared office space or different postcodes for the same building. None of these exceptions represented control weaknesses.
- We completed a walkthrough of Agresso with the Payments Team Manager and Senior Payments Officer. We confirmed that CIS invoices are identified on entry and that a monthly report is run to validate all CIS transactions. Where errors are detected, the supplier is contacted and recovery action is taken. We were satisfied that controls over CIS identification were operating appropriately.

Accounts Receivable

- Our review of all income received during the period identified one customer who consistently paid significantly beyond agreed terms, with an average payment delay of 185 days across seven invoices totalling £6,980. The issue had been escalated appropriately, including referral to the legal team, issuance of statements and an L7 notice, and eventual involvement of the police as part of a fraud investigation. All amounts were subsequently recovered.
- We identified four customers who breached the Council's due-diligence threshold of £10k. Three of these cases related to lease arrangements, where due diligence had already been completed at the outset. We also identified three customers who appeared on the aged-debt report but had received services during the testing period. One related to the late-payment case above. For the remaining two, both were significant recurrent customers of Oxford Direct Services, and we noted that the Council was actively engaged in negotiations to resolve the outstanding balances while sustaining the commercial relationship.
- We reviewed five exceptions each for duplicate customer names and addresses. Duplicate address exceptions primarily related to multiple garden-waste subscriptions at the same property or internal departmental differences within a single organisation. Duplicate names similarly related to separate operational sites of the same company. None of these exceptions indicated inaccurate customer records.

Payroll

- Our analysis of all payroll payments made between 1st January and 31st December 2025 confirmed that no duplicate employee payments were made, and all employees were paid only once per month. Four instances were identified where leavers appeared to have been paid after their leave date; however, these related either to final salary payments issued in the following month or to adjustments for monies owed, and we are satisfied these do not represent control failures.
- One case was identified where an employee appeared both on the leavers list and within standing data. This was due to the individual leaving one role and re-joining the Council on 1st January 2026 and therefore represented a valid record. We also investigated seven apparent cases of overtime paid to individuals not appearing on the standing data report. Management confirmed these individuals were temporary staff set up on the non-paying payroll to enable system access appropriate to their role; no exceptions were raised.
- We did not identify any employees missing NI numbers, names, addresses, codes or dates of birth. Six cases of missing tax codes were reviewed, and management

confirmed these related to agency staff processed on the non-paying payroll. Four cases of duplicate NI numbers related to individuals employed both as Council staff and as election staff, requiring separate payroll records. Five exceptions relating to duplicate employee codes and names were attributable to an issue with the report provided, rather than a system error. Duplicate addresses reflected legitimate house-share arrangements. We did not identify any duplicate bank details.

AREAS OF CONCERN

We found the following areas of weaknesses:

- The audit identified significant delays in the Council's invoice payment process, with 53.93% to the value of £1.3m worth of invoices being paid beyond 31 days. Timely payment is essential for maintaining strong supplier relationships and ensuring that cash flow forecasts remain accurate and reliable. Our review found weaknesses in the monitoring and approval of invoices, including unflagged disputed items and gaps in system user substitutes, which reduced oversight and contributed to the delays. If these issues are not addressed, the Council risks damaging supplier confidence, incurring avoidable financial costs and undermining the accuracy of its financial planning (Finding 1 – Medium).
- We identified weaknesses in the management of easement debts, with long-standing balances not being chased or written off in line with Council policy. Our sample testing found that prior-year exceptions remained unresolved and further historic debts had not been actively pursued, with some dating back over 20 years. The lack of clarity around whether certain easements remain active has resulted in recovery activity being placed on hold, contributing to the build-up of outdated and immaterial balances. Without improved oversight and a structured approach to confirming or retiring obsolete easements, the Council risks inaccurate financial reporting and the ongoing non-recovery of legitimate income. This issue was raised in the prior year, and the recurrence highlights the need for strengthened processes to ensure aged debts are appropriately addressed (Finding 2 – Medium).
- Our review of the suspense account as at 28 February 2026 identified a total balance of £1.68m held across 131 transactions, with the oldest item dating back to September 2025. The five highest-value items ranged from £17,590.89 to £880,076.56, while £11,363 across 17 transactions had no reference information recorded. This matter has not been raised as a formal finding, as the Payments Team Manager is actively reviewing and clearing items within the account. At the time of our assessment, £200k across 11 transactions had already been resolved, demonstrating positive progress (Observation).
- During sample testing of credit card payments, we identified non-compliance with the Council's Purchase Card Policy, including the use of cards for prohibited expenditure such as fines, penalty charges and transactions that did not reconcile to supporting receipts. These issues point to weaknesses in oversight and approval processes, with similar concerns raised in previous audits but not fully addressed. The lack of effective scrutiny by card holders and approvers has allowed inappropriate spending to occur, increasing the risk of financial loss, reputational harm and reduced confidence in the Council's governance of public funds. We have not raised this as a finding as we have recently raised similar findings during the purchase card review (Observation).

CONCLUSION

- We conclude that the overall **control design is Moderate**. In the main, the Council has established appropriate policies, procedures and system-based controls across the areas reviewed, and these provide a reasonable foundation for managing the associated financial and operational risks. However, our work identified several areas where aspects of the control design require strengthening. Clearer mechanisms are needed to support timely invoice approval, structured oversight of easement debts, and consistent enforcement of the Purchase Card Policy. While the

underlying framework is broadly sound, these gaps mean the design does not fully support consistent and reliable compliance across all processes.

- We also conclude that the **control effectiveness is Moderate**. Our testing identified a number of exceptions that indicate controls are not being applied consistently. These included non-compliant purchase card transactions, significant delays in the payment of invoices, and aged easement debts not being chased or written off in line with policy. The recurrence of some issues raised in prior year audits further highlight weaknesses in oversight and day-to-day control operation. Although the environment is not indicative of systemic failure, the level of non-compliance increases the Council's exposure to financial, operational and reputational risks. Addressing the recommendations raised will help strengthen the consistent application of controls and improve assurance over the reliability of financial processes going forward.

EXECUTIVE SUMMARY – CLIENT AND COMMISSIONING

Advisory Review

Areas for improvement	1	5	2

SCOPE

Background

- Oxford City Council (the Council) introduced the Oxford Model to enhance financial independence and maintain high-quality services to its residents. The model involves the "insourcing" of services rather than outsourcing to private companies with the aim to retain control over service quality and reinvesting back into local community, rather than external shareholders.
- Oxford Direct Services (ODS) was formally established in 2018 to serve its local community's needs and provide commercial services where capable. As a wholly owned company of the Council, ODS is responsible for waste collection, street cleaning, property maintenance, highways and other direct services.
- As part of the Partnership Action Plan that has been developed by the Council and ODS in April 2025 (with the updated plan for 2026 currently in progress), there was key actions regarding the relationship between the two entities with focus on governance, performance reporting, defined roles and responsibilities and quality assurance.
- The Oxford City Council Group Strategic Partnership has been introduced as a steering group linked to the Council's Corporate Leadership Team (CLT) and the Oxford Direct Services (ODS) Executive Management Team. This group provides direction to the following subgroups for the improvement of client and commissioning arrangements between the two entities:
  - Parks and Green Spaces
  - Highways and Engineering
  - Recycling and Refuse
  - Pest Control and Dog Warden
  - Car Parking
  - Care Taking
  - Street Scene
  - Transport
- Objectives for this group include but are not limited to ensuring the consistency of approach to clienting and commissioning, value for money is achieved across services and aligning work undertaken with the Council's Strategy and five priorities.
- The Group Strategic Partnership meets monthly and includes membership of Senior Management across both the Council and ODS, with provision of quarterly updates to the CLT of the Council and the ODS Executive Team.
- Beneath the Strategic Partnership Group, subgroup meetings are held monthly between ODS and Council Contract Managers with areas of review including the tracking of progression against the Partnership Action Plan, assessment of risks and monitoring of performance and key performance indicators (KPIs) to ensure service delivery is meeting established standards. Each subgroup provides a monthly highlight report detailing strengths and areas of weakness for the service area to the Group Strategic Partnership.

Purpose

- This was an advisory review of the client and commissioning process between the Council and ODS, to help ensure the control framework is well designed to help it operate effectively going forward.

Limitations of scope

- As an advisory piece of work, this assessment does not generate an assurance opinion.

Areas reviewed

The following areas were covered as part of this review:

- Verified there was a documented strategy or business plan in place which sets out clear objectives that align with the host Council. Confirmed whether the Strategy/plan was developed in consultation with ODS and that it is regularly reviewed and defines key roles and responsibilities. **(Risk 1)**
- Reviewed the Terms of References for the Oxford City Council Group Strategic Partnership and related subgroups and sought to confirm, by sample testing relevant meeting minutes, that expected responsibilities were being met. **(Risk 2)**
- Surveyed 11Contract Managers (the Council) and staff at ODS to ensure that they were aware of their roles, there were defined responsibilities, performance objectives and if they felt resources across functions were sufficient. **(Risk 3)**
- Confirmed that risks had been documented, were regularly monitored and there were mitigations in place where required. **(Risk 4)**
- Reviewed the adequacy of key performance indicators (KPIs) agreed as part of contracts in place between the Council and ODS, assessing their relevancy, whether they were SMART (Specific, Measurable, Achievable, Realistic and Timely) and were ambitious enough. We also reviewed if a strategic direction was set regarding how the KPIs were being used in reporting performance against strategic priorities and objectives in place. **(Risk 5)**
- Reviewed management information reported on performance and levels of compliance and verified that it was regularly produced and monitored. **(Risk 6)**
- Assessed arrangements in place for communications and feedback provided by ODS to the Council and if subsequent action and implementation of any required measures were undertaken following discussions held. **(Risk 7)**

AREAS OF STRENGTH

- The ODS Business Plan provides a clear and robust strategic framework that aligns ODS with the priorities of the Council. It has been formally approved and is supported by version control and a clear development trail through Board and Executive sessions, demonstrating consultation and shared ownership with the shareholder.
- The plan sets out a defined mission and purpose with objectives that align to Council priorities, including good affordable homes, a strong local economy and the transition to zero carbon, and links these to the Council's financial planning and commissioning intentions. Roles and responsibilities for the shareholder, Board, Executive and supporting functions are clearly articulated, and there is an established monitoring and escalation cycle through monthly and quarterly reporting, annual approval and a commitment to refresh the plan each year. These features demonstrate that the strategy is aligned to the Council and is actively supported by a governance and performance framework that ensures ongoing accountability.
- The Terms of Reference (TOR) set out a clear and well-structured framework for how the Group Strategic Partnership operates. The purpose of the group is clearly defined, with a coherent mandate for overseeing joint activity between the Council and ODS. The objectives of the Partnership are clearly laid out, including oversight of the action plan, alignment to the Council Strategy and monitoring of subgroups. Membership is

appropriate and at a senior level, and meeting arrangements are clearly established with defined frequency, chairing responsibilities and administrative support.

- The TOR also sets out transparent reporting routes into the Corporate Leadership Team and the ODS Executive and includes clear expectations around information handling and data protection. The scheduled review cycle and supporting appendices provide further clarity on subgroup structures and reporting templates, giving the Partnership a solid governance foundation.
- Over the past year there has been clear and meaningful progression in the governance structures that support the Council and ODS' relationship. Previously there was no consistent framework in place and limited visibility for the Council over how services were being managed or how performance issues were being escalated. The introduction of defined boards, subgroups, reporting cycles and terms of reference has created a level of structure and oversight that did not previously exist and has materially improved the Council's ability to understand, challenge and influence service delivery. While there remains further work to do to refine the purpose of meetings, strengthen the quality of information and ensure that governance is proportionate and risk based, the progress made over the last year demonstrates a positive shift toward a more transparent, accountable and mature partnership. This trajectory should be recognised and provides a strong foundation on which the next phase of development can build.
- Good practice is demonstrated in the way the reporting structure is now being followed across the organisation. Despite variation in maturity between service areas, managers are consistently producing the required reports to the agreed timetable and are engaging with the governance cycle that has been introduced. The shift from an informal approach to one in which information is routinely prepared, submitted and reviewed represents a notable improvement from the previous position where reporting was sporadic and lacked structure. The introduction of standard templates and clearer expectations has helped create a more predictable flow of information and provides a stronger foundation for assurance. While further refinement is needed to strengthen the quality, relevance and consistency of what is reported, the general compliance with the reporting framework reflects a positive cultural shift and demonstrates that the new arrangements are becoming embedded in day-to-day practice.
- There has been notable progress in the development of KPIs over the past year, with the 26/27 indicators representing a clear improvement on those used in 25/26. The new KPIs are more structured, more measurable and far closer to meeting the SMART standard than those previously in place, which were widely regarded as unclear and difficult to interpret their purpose. Client officers and ODS colleagues both recognised that the latest set provide a stronger basis for monitoring service delivery and a clearer link to the outcomes that matter to residents and to the Council. While there are still some teething issues as the new measures embed and as data quality continues to improve, the direction of travel is positive and reflects a growing maturity in how performance is defined and reported. The improvement between the two years demonstrates meaningful progress and provides a stronger foundation for future refinement.
- It was clear throughout the review that there is a good level of respect shown between ODS and the Council teams and the positive working relationship that underpins the partnership. Officers on both sides demonstrated a commitment to collaborative working and a shared desire to deliver good, reliable services for the people of Oxford. Interactions were consistently constructive, professional and grounded in mutual understanding of the pressures faced by each organisation. Even where challenges exist in processes or clarity, the tone of engagement remained solution-focused, and there was a clear sense that both the Council and ODS are motivated by the same public service purpose. This respectful and cooperative culture provides a strong foundation on which improvements to governance, performance reporting and commissioning arrangements can continue to be built.

AREAS FOR IMPROVEME-NT

- The service specifications no longer provide a reliable or accurate description of the services ODS is contracted to deliver, creating a gap between documented expectations and operational reality. As a result, the Council cannot be assured about what it is paying for or whether value for money is being achieved, and ODS cannot clearly distinguish between core obligations and additional work which will require further investment. This ambiguity has contributed to scope creep, weakened financial and performance accountability. Although a refresh of the specifications is underway between the relevant clienting managers and ODS staff, the current position represents a significant risk as both parties continue to rely on outdated documents that do not reflect actual service delivery or support effective governance **(Finding 1 - High).**
- The purpose of KPIs is not consistently understood across services, resulting in indicators that focus on process activity rather than service outcomes and, in some cases, encourage behaviours that do not support the Council's objectives. The lack of clarity leads to clienting managers being drawn into the detail and too close to operational decision making activity rather than maintaining an assurance and facilitation role. This blurs accountability and reduces the effectiveness of the performance framework. While relationships remain positive, the absence of outcome focused KPIs and a clear division between oversight and delivery limits the ability of the Council to gain assurance and prevents ODS from using KPIs to demonstrate service effectiveness. Strengthening the definition, purpose and behavioural intent will be essential to improving performance oversight and supporting better alignment with organisational priorities **(Finding 2 - Medium).**
- While the reporting framework now provides structure and predictability, its highly prescriptive design has resulted in a process that is not proportionate to risk and does not sufficiently recognise ODS's position as a subsidiary responsible for operational delivery. Monthly meetings routinely proceed even when written reports contain no issues, leading to discussions that add little value and largely repeat information already provided. Client managers reported uncertainty about the purpose of some information requests and noted that reporting often feels like a compliance exercise rather than an assurance tool, with boundaries between operational detail and client oversight becoming blurred. This lack of a risk-based filter means governance time is absorbed by routine matters in low-risk areas rather than focused on decisions or escalations that require strategic attention. As a result, the effectiveness of oversight is reduced, challenge is weakened and confidence in the reporting process is limited **(Finding 3 - Medium).**
- There is no clear boundary defining what information the Council can reasonably request from ODS, which has resulted in inconsistent expectations between the two organisations. As a result of outdated specifications and blurred roles, Council officers at times request levels of operational and financial detail that extend beyond what is appropriate for a subsidiary that holds commercial and operational responsibility for the core contracted services. This has led to a disproportionate reporting effort for ODS without materially enhancing assurance for the Council, while genuinely appropriate requests for greater transparency on one-off commissioned work are not clearly distinguished. Clear boundaries are needed to ensure that reporting is proportionate to purpose and risk, protects ODS's operational autonomy and provides the Council with meaningful assurance where it is required **(Finding 4 - Medium).**
- Several clienting managers noted that the current reporting framework is highly prescriptive, leaving limited scope to apply professional judgement or adapt their approach to their service needs. While tasks are being completed and no issues were identified regarding compliance or collaboration, the perceived lack of flexibility creates a risk that the framework becomes burdensome and may inhibit meaningful decision making. This gap is one of proportionality rather than clarity, and there is an opportunity to refine the framework to ensure it maintains consistency without restricting service area autonomy **(Finding 5 - Medium).**
- The purpose of the risk register used within the Client and Commissioning arrangements is not clearly defined, resulting in inconsistent content and limited assurance over the risks that materially affect the relationship between the Council

and ODS. It is unclear whether the register is intended to capture operational service-level risks or only those risks that require joint oversight at a partnership level. This ambiguity has diluted discussion at governance meetings, reduced scrutiny over the exposures that matter most to the relationship, and created uncertainty for the Council regarding whether ODS is effectively identifying and managing the risks that require shared visibility. For clarity, this relates specifically to the Client and Commissioning risk register and not to ODS's strategic risk register, which is managed and reported to ARC. Establishing a clear purpose for the Client and Commissioning risk register, and ensuring reporting focuses on relationship-level risks, will strengthen assurance **(Finding 6 - Medium).**

- The Terms of Reference for the Group Strategic Partnership does not define the decision-making responsibilities of the Partnership. The document explains what the group oversees but does not articulate what it is authorised to decide, how decisions should be escalated or devolved. This creates uncertainty for members and increases the risk of inconsistent escalation, duplication across governance forums and lack of clarity over decision ownership. While this does not undermine the overall function of the Partnership, strengthening the TOR in this area would improve accountability and support more consistent governance **(Finding 7 - Low).**
- The Strategic Board is still embedding and is continuing to develop in its effectiveness. The meeting we observed (16 March 2026) was well prepared but largely focused on noting updates rather than addressing issues that sit beyond the remit of operational groups. This reflects the Board's early stage of development, with roles, expectations and decision-making behaviours still forming. As the Board matures, its effectiveness will depend on shifting toward strategic oversight, agreeing priorities and provide direction for the relationship **(Finding 8 - Low).**

ADDED VALUE

- A proportionate value for money approach can be built into the Council and ODS arrangements by focusing on service-level evidence of efficiencies rather than pursuing a fully costed activity model that would require significant new systems and infrastructure. Departments can demonstrate value for money through clear narratives that show how ODS is delivering efficiencies, managing within a funding envelope that has reduced in real terms, and continuing to return a dividend. This approach recognises ODS's operational autonomy while providing the Council with assurance that services are being delivered efficiently and that improvements and cost control are contributing to overall value for money (see appendix I for a full analysis).

CONCLUSION

- The relationship between Oxford City Council and Oxford Direct Services has progressed significantly over the past two years. At the outset there was no formalised structure in place, limited visibility over service delivery and an absence of clear governance routes. The developments introduced over the past year have therefore represented a substantial step forward, and the foundations now in place are broadly operating as intended. Governance forums are established, reporting cycles exist, KPIs are improving and engagement across both organisations is constructive and respectful. Importantly, many of the issues identified in this review reflect a partnership that is still maturing rather than one experiencing fundamental breakdowns in process or delivery.
- The findings in this report are intended to help inform the next phase of that journey. As the partnership continues to develop, it will be important for both organisations to remain aligned in purpose even where their cultures or approaches may differ. There is no expectation that the Council and ODS become identical in process or style, but clarity of purpose must underpin all activity. Without this, there is a risk that structures expand unnecessarily, roles become diluted and activities evolve into process for process' sake rather than mechanisms that improve outcomes or manage risk. Future development should therefore be guided by clear principles that define

why tasks are undertaken, what value they add and how they contribute to the effectiveness of the partnership.

- Overall, while further refinement is required to ensure proportionality, clarity and risk-based focus across specifications, reporting and governance, the direction of travel is positive. Both organisations have shown willingness to collaborate, to challenge constructively and to improve. With continued attention to purpose and a shared commitment to evolving the framework in a measured and principles-led way, the partnership is well positioned to strengthen further and deliver continued value for the people of Oxford.

OCC AND ODS COMMENTS

ODS and OCC welcome the findings of this review and recognises that they reflect a partnership that is continuing to mature. We note the recommendations and, noting that several of the areas identified span both organisations and the wider client-commissioning model, will work in collaboration to develop and agree a proportionate, prioritised action plan. This will build on the progress already underway, including:

- finalising the specification refresh, and will focus on strengthening clarity of service scope
- refining KPI design and reporting (noting the report comments about an absence of outcome focused KPIs)
- improving the proportionality and risk-based nature of governance arrangements which recognises ODS's role as a subsidiary responsible for operational delivery
- defining clearer boundaries between operational delivery and client oversight and ensuring reporting is proportionate and focuses on materiality
- supporting OCC in adapting the reporting framework to be less prescriptive for Client managers, allowing them more autonomy.

We also note other items for OCC to focus on including risk reporting and reviewing the terms of reference for the Group Strategic Partnership so that gives increased focus to key strategic issues and less time spent on noting updates

The shared action plan will set out jointly agreed priorities, accountabilities and implementation timescales, recognising interdependencies between the organisations.

Progress will be overseen through the existing governance structure, with an initial agreed action plan in place by **30 September 2026**, and delivery phased thereafter in line with agreed priorities and resource availability.

Implementation Date: 30 September 2026

Responsible Officers: Alistair Rush Group Finance Director (OCC) and Simon Howick Managing Director (ODS)

Key performance indicators

QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Audit and Governance Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Partner or Audit Assistant Manager.	G
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO was found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	G
Information is presented in the format requested by the customer.	No requests to change the BDO format.	G
Customer satisfaction reports – overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.	This KPI will be updated once customer satisfaction responses are received for 2026-27 once audits begin to be issued. Prior year results met the KPI set.	-

REPORTING ARRANGEMENTS	KPI	RAG RATING
Draft report to be produced 3 weeks after the end of the fieldwork. We have issued draft reports within 3 weeks of fieldwork 'closing' meeting and finalised internal audit reports within 1 week after receiving management responses.	We issued all drafts within 3 weeks after the end of fieldwork for the three reports issued in this paper.	G
Management to respond to internal audit reports within 2 weeks	Management responded with their responses within 2 weeks for the three reports issued in this paper.	G
Final report to be produced 1 week after management responses	All final reports were issued within 1 week after management responses for all three reports issued in this paper.	G
90% recommendations to be accepted by management	All our recommendations made were accepted by management and we worked with the Auditees to present information in the format requested.	G

DELIVERY	KPI	RAG RATING
Annual Audit Plan delivered in line with timetable and Actual days are in accordance with Annual Audit Plan	We completed the 2025-26 plan for the Committee expected in July 2026 and therefore this has been met.	G

Appendix 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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