REPORT TO:	**COUNCIL**	**AGENDA ITEM: 8**
DATE OF MEETING:	**26 JUNE 2025**	**CATEGORY: DELEGATED**
REPORT FROM:	**EXECUTIVE DIRECTOR – RESOURCES AND TRANSFORMATION**	**OPEN**
MEMBERS' CONTACT POINT:	**CHARLOTTE JACKSON** charlotte.jackson@southderbyshire.gov.uk	**DOC:**
SUBJECT:	**AUDIT SUB-COMMITTEE ANNUAL REPORT 2024/25**	
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:**

1.0 Recommendations

1.1 That Council note and comment on the Annual Report of the Audit Sub-Committee for 2024/25.

2.0 Purpose of the Report

2.1 For Council to receive the annual report of the Audit and Governance Committee's predecessor, the Audit Sub-Committee, for the 2024/25 financial year. The report provides a summary of the Sub-Committee's work in providing independent assistance on the adequacy of the Council's governance, internal control and financial reporting arrangements.

2.2 This report forms the first Annual Report of the Sub-Committee and responds to the findings and recommendations made via its self-assessment against best practice guidance of the Chartered Institute of Public Finance and Accountancy (CIPFA), which were reported to the Sub-Committee and Finance and Management Committee in June 2024.

2.3 This report was presented to the Audit and Governance Committee at its meeting on 18 June 2025.

3.0 Detail

The Audit Sub-Committee functions

3.1 The Audit and Governance Committee supports the wider Council by overseeing internal and external audit functions and by reviewing key governance frameworks. The Committee's work contributes to maintaining public confidence in South Derbyshire District Council's stewardship of public funds.

3.2 During the 2024/25 year, the functions around external audit, internal audit, audit management, governance and financial statements that are the

responsibility of the Audit and Governance Committee, were the responsibility of the Audit Sub-Committee.

Membership and meetings

3.3 The Audit Sub-Committee met on five occasions:

- 19 June 2024
- 4 September 2024
- 4 December 2024
- 12 February 2025
- 5 March 2025

3.4 Membership of the Sub-Committee during the year was as follows:

- Councillor Jane Carroll, Chair
- Councillor David Shepherd, Vice Chair
- Councillor Alan Jones
- Councillor Neil Atkin
- Councillor Amy Wheelton

3.5 Officer support was provided by the Executive Director, Resources and Transformation, with support from the Executive Director Law and People, the Head of Finance and the Audit Manager (Central Midlands Audit Partnership).

Governance

3.6 The Draft Annual Governance Statement (AGS) was considered by the Sub-Committee at its June 2024 meeting and approved following external audit in March 2025.

3.7 The AGS reported that the Council's corporate governance arrangements did not meet an acceptable level in respect of complying with laws and regulations and internal policies and procedures in respect of budget setting approval processes, agency staffing spend and non-compliance with the Housing Consumer Standards.

3.8 The AGS set out 23 areas for improvement to ensure compliance in these areas and across several other areas where arrangements were deemed to be requiring improvement. The Sub-Committee monitored the progress against these actions at its meeting in September 2024 and February 2025.

Internal Audit

3.9 The Audit Sub-Committee considered the following key areas in relation to Internal Audit:

- Internal Audit Annual Report 2023/24: was considered at the June 2024 meeting, where the Sub-Committee reviewed the Chief Internal Auditor's annual opinion, which concluded that South Derbyshire District Council has an adequate and effective framework of governance, risk management and control.
- Progress Monitoring Reports: Regular updates were provided at each meeting, summarising completed audits, audit opinions, and recommendations made.

- Audit Findings: The Sub-Committee reviewed actions arising from all audits concluded during the year, including Fleet Management, Housing Consumer Standards, Debit/Credit Cards, Leisure Centre Management Tender, Health and Safety and Housing Repairs. Officers provided updates on implementation timelines and mitigations as necessary.
- Approval of the 2025/26 Internal Audit Plan and Audit Charter: Approved in March 2025, the plan was risk-based and aligned with the Council's strategic objectives and operational risks.

External Audit

3.10 EY LLP were the Council's appointed auditor to the financial year 2022/23 and Forvis Mazars LLP are appointed for the period 2023/24 to 2027/28.

3.11 During 2024/25, the Audit Sub-Committee received the External Auditor's Annual Report and Audit Findings Reports for the backlog years 2021/22 and 2022/23 from EY LLP.

3.12 The Council received a disclaimed audit opinion for both years, due to the national audit backlog which arose due to a combination of long-standing issues in the local audit system. As a result, many local authorities including this Council have experienced significant delays in the audit of the annual accounts. In many cases, where audits could not be completed in full or within statutory deadlines auditors have issued disclaimers of opinion, meaning they were unable to obtain sufficient assurance to provide an audit opinion.

3.13 The Sub-Committee also recommended to Finance and Management Committee the approval of the final financial statements for these years.

3.14 In March 2025, the Sub-Committee also received the Annual Report and Audit Findings Reports for the 2023/24 year from Mazars LLP, also recommending to Finance and Management Committee the approval of the final financial statements for this year. The Council received a disclaimed opinion again for the 2023/24 year, due to the national audit backlog outlined above.

3.15 In supporting the preparation of the 2024/25 accounts, the Sub-Committee also received a report from officers to approve the accounting policies and materiality levels.

Self-assessment against CIPFA guidance

3.16 The Sub-Committee undertook a self-assessment of the Audit Sub-Committee against the Chartered Institute of Public Finance and Accountancy's (CIPFA) guide for local authorities and reported its findings to the Finance and Management Committee. Of these findings, included recommendations to update the terms of reference of the Sub-Committee in accordance with the guidance, update the governance structure of the Council so that the Audit Committee report directly to Council, recruit coopted independent members in line with CIPFA recommendation and publish an annual report – all of which have been or are in the process of being implemented.

Training and Development

3.17 Training for the Audit Sub-Committee was scheduled throughout the year focusing on the annual accounts and external audit, with an invite extended to all members.

4.0 Financial Implications

4.1 There are no direct financial implications linked with this report.

4.2 The annual audit fees for 2021/22 – 2023/24 (the years of accounts this annual report refers to), and for the forthcoming audit year 2024/25 as set out by the PSAA are set out below. The table also sets out the current status of PSAA and S151 approval of fees and additional fees.

Year	Fees set by PSAA	Fees approved
2021/22	£30,674	Pending
2022/23	£46,942	Pending. However, £17,886 additional fees agreed by PSAA and S151 in relation to VFM commentary.
2023/24	£144,179	Pending
2024/25	£158,811	Pending

4.3 It is not known currently, the impact of issuing a modified/disclaimed opinion to meet the backstop dates on the fees. Any changes in fees will be subject to the approval of PSAA.

5.0 Corporate Implications

Employment Implications

5.1 There are no employment implications arising because of this report.

Legal Implications

5.2 There are no legal implications arising from this report.

Corporate Plan Implications

5.3 There are no direct implications, however effective governance, risk management and control arrangements ensure the achievement of the Council Plan.

Risk Impact

5.4 Effective governance, risk management and control arrangements rely heavily on the assurances of an independent external auditor.

7.0 Community Impact

Consultation

7.1 There are no consultation matters to be considered.

Equality and Diversity Impact

7.2 There are no equality and diversity impact matters to be considered.

Social Value Impact

7.3 There are no social value impact matters to be considered.

Environmental Sustainability

7.4 There are no environmental sustainability matters to be considered.

8.0 Background papers

8.1 None.