

# Independent auditor's report to the members of Cannock Chase District Council

## Report on the audit of the financial statements

### Disclaimer of opinion

We were engaged to audit the financial statements of Cannock Chase District Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Account and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Note to the Accounts, Notes to the Housing Financial Statements and Notes to the Collection Fund Income and Expenditure Account. 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 2022/23.

We do not express an opinion on the accompanying financial statements of the Authority. 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 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2023 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2023 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2023 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

### Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

### Opinion on other matters required by the Code of Audit Practice

The Deputy Chief Executive – Resources (S151) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 7 February 2024 we made three written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014. One recommendation was in relation to its financial planning and monitoring and the other two were in respect of managing its Housing Revenue Account (HRA) strategy and its obligations to its tenants.

We recommended that the Authority in respect of its financial planning and monitoring should:

- ensure it has adequate capacity in its finance team and ensure that budget holders receive formal financial monitoring reports during the year
- put in place a Medium-Term Financial Strategy (MTFS) built on robust modelling and assumptions and an updated Capital Strategy that complies with the revised Prudential Code; and
- produce draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively

We recommended that the Authority in respect of managing its HRA strategy should:

- deliver a full stock condition survey to inform a revised 30-year business plan which includes sensitivity analysis and put in place an investment strategy and update these annually aligned to the budget setting timescales
- develop a place-based housing strategy for Cannock Chase District working with its housing and other key partners
- update the Housing Allocations Policy and the Housing Register and ensure these are reviewed regularly
- develop an HRA asset management strategy and effective housing asset management record keeping for each property which are updated regularly, including regular review of its HRA asset register aligned to stock condition data, compliance data and finance and implementing regular planned maintenance; and
- review HRA reserves to ensure it has a major repairs reserve in place for planned maintenance and compliance

We recommended that the Authority in respect of managing its HRA obligations should:

- address the breaches to its statutory responsibilities concerning tenant health and safety and consider if it needs to be short-term measures in place while it is doing so to minimise risks to tenants and ensure non-compliance is reported to the Regulator for Social Housing
- develop a risk-based based improvement plan to address its health and safety breaches working with the Regulator for Social Housing
- ensure it has an asset register for its homes and that each one has a unique record for building safety compliance checks which is regularly reviewed and updated and monitored against robust performance targets for building safety which are reported to members; and
- undertake a review of its compliance against the updated housing consumer standards, July 2023, ahead of them being mandated on 1 April 2024.

## **Responsibilities of the Authority and the Deputy Chief Executive – Resources (S151)**

As explained more fully in the Statement of Responsibilities set out on page 17, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive – Resources (S151). The Deputy Chief Executive – Resources (S151) is responsible for the preparation of the Statement of Accounts, which includes the 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive – Resources (S151) 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 Deputy Chief Executive – Resources (S151) is responsible for assessing the Authority'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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

## **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority'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 those financial statements.

We are independent of the Authority 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

On 7 February 2024 we identified significant weaknesses in the Authority's arrangements and made three written recommendations under section 24 of the Local Audit and Accountability Act 2014. These written recommendations are included within 'Matters on which we are required to report by exception' section of this report. We identified:

- a significant weakness in the Authority's arrangements for financial sustainability and governance. This was in relation to arrangements for financial planning and financial monitoring not being adequate.

- a significant weakness in the Authority's arrangement for financial sustainability and improving economy, efficiency and effectiveness. This was in relation to improvement required in respect of its HRA management, business planning and financial sustainability.
- a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. This was in relation to the Authority failing to meet minimum service standards in its housing service and there being a historic failure to achieve improvements in building safety. It was also failing to meet statutory equalities duties.

On 7 February 2024 we identified further significant weaknesses in the Authority's arrangements and made key recommendations in relation to these.

- We identified one significant weakness in the Authority's arrangements for financial sustainability. This was in relation to that the Authority not having a robust plan to address its financial gap in the medium-term, instead it was making planned use of reserves. We recommended that the Authority should develop a corporate saving and transformation plan to help it reduce spending by looking at different ways of delivering services.
- We identified three significant weaknesses in the Authority's arrangements in respect of governance. These were in relation to the Authority's:
  - risk management for strategic and operational arrangements. We recommended that the Authority needs to improve its risk management strategy and arrangements.
  - internal controls in respect of ICT, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas. We recommended that the Authority needs to improve its arrangement in respect to its internal controls relating to ICT.
  - internal controls in respect of relating to fraud, which could expose it to significant financial loss, and it has failed to follow-up on external audit recommendations in this area. We recommended that the Authority needs to improve its arrangement in respect to internal controls relating to fraud.
- We identified three significant weaknesses in the Authority's arrangements in respect of improving economy, efficiency and effectiveness. These were in relation to the Authority's:
  - lack of performance management framework to deliver its business plan. We recommended that the Authority needs to improve its arrangement in respect of performance management framework and its implementation.
  - arrangements for asset management that have caused the risk of harm to its tenants. We recommended that the Authority needs to improve its asset management arrangements.
  - procurement and contract management arrangements. We recommended that the Authority needs to improve its procurement and contract management arrangements.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing 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 to be satisfied 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.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Cannock Chase District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Avtar Sohal*

Avtar Sohal, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

29 November 2024