

# **Independent Auditor's Report to the members of Cannock Chase District Council**

## **Report on the audit of the financial statements**

### **Disclaimer of opinion on the financial statements**

We were appointed to audit the financial statements of Cannock Chase District Council (the 'Council') for the year ended 31 March 2024, 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 accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24.

We do not express an opinion on the financial statements of the Council. Due to 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**

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion, by certain specified dates ('the backstop dates'), which have been put in law with the purpose of clearing the backlog of historical financial statements in English local government. The specified backstop dates include:

- 28 February 2025 for the Accountability Statements for 2023/24; and
- 13 December 2024 for any outstanding Accountability Statements for prior years.

The Council published its outstanding Accountability Statements for 2021/22 and 2022/23 on 29 November 2024, by the required backstop date. However, these Accountability Statements all included a disclaimer of opinion issued by the Council's predecessor auditor.

The 2023/24 backstop date introduced by the Amendment Regulations, and its proximity to the previous backstop date, has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements for 2023/24 and to rebuild the missing assurance arising from the disclaimer of opinions for the previous two financial years. There has been insufficient time for us to perform all necessary audit procedures.

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

The Council are responsible for the other information. The other information comprises the information included in the Annual Governance Statement and Statement of Accounts other than the financial statements and our auditor's report thereon.

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") we are required to consider, based on the work undertaken in the course of the audit of the financial statements, whether the other information published together with the audited financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Because of the significance of the matters described in the 'Basis for disclaimer of opinion' section of our report, we have been unable to form an opinion whether the other information published together with the financial statements in the Statement of Accounts and Annual Governance Statement 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**

Under the Code of Audit Practice we are also required 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 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.

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 the form and content of the Annual Governance Statement.

## **Responsibilities of the Council and the S151 Officer & Deputy Chief Executive (Resources)**

As explained in the Statement of Responsibility for the Statement of Accounts set out on page 15, the Council 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 S151 Officer & Deputy Chief Executive (Resources). The S151 Officer & Deputy Chief Executive (Resources) is responsible for the preparation of the Council's 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the S151 Officer & Deputy Chief Executive (Resources) 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 S151 Officer & Deputy Chief Executive (Resources) is responsible for assessing 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 there is an intention by government to cease the provision of the services provided by the Council. The S151 Officer & Deputy Chief Executive (Resources) is required to comply with the requirements set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24.

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

Our responsibility is to conduct an audit of 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 the financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of 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 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 matters**

### **Reports in the public interest or use of other statutory powers**

Under the Code of Audit Practice, we are required to report to you if, in the course of or at the conclusion of the audit, we:

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

We have nothing to report in respect of the above matters.

## **Report on the Council'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 Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above except:

We identified the following significant weaknesses in the Council's arrangements and made key recommendations in relation to these.

- We identified one significant weakness in the Council's arrangements for financial sustainability and governance. This was in relation to arrangements for financial planning and financial monitoring and finance team capacity not being adequate. We recommended that the Council ensure it has adequate capacity in its finance team and improve its financial planning and financial monitoring arrangements.
- We identified one significant weakness in the Council's arrangement for financial sustainability and improving economy, efficiency and effectiveness. This was in relation to improvement required in respect of its Housing Revenue Account (HRA) management, business planning and financial sustainability. We recommended that the Council should deliver a full stock condition survey, develop a placed based housing strategy and HRA asset management strategy, and review HRA reserves
- We identified one significant weakness in the Council's arrangements for financial sustainability. This was in relation to the Council 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 Council 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 Council's arrangements in respect of governance. These were in relation to the Council's:
  - risk management for strategic and operational arrangements. We recommended that the Council improve risk management.
  - internal controls in respect of Information Technology (IT), which could expose the Council to significant financial or service loss including fraud and cyber-attacks and the Council has failed to follow-up on external audit recommendations in these areas. We recommended that the Council urgently address its significant weaknesses in its internal controls relating to IT.
  - internal controls relating to fraud, which could expose the Council to significant financial loss, and the Council has failed to follow-up on external audit recommendations in this area. We recommended that the Council urgently address its significant weaknesses in its internal controls relating to fraud.
- We identified four significant weaknesses in the Authority's arrangements in respect of improving economy, efficiency and effectiveness. These were in relation to the Council's:
  - failing to meet minimum service standards in its housing service and there being a historic failure to achieve improvements in building safety. The Council was also failing to meet statutory equalities duties. We recommended that the Council urgently address its significant weaknesses in compliance with statutory HRA obligations.
  - lack of a performance management framework to deliver its business plan. We recommended that the Council improve its performance management arrangements.
  - arrangements for asset management that have caused the risk of harm to its tenants. We recommended that the Council improve its asset management arrangements.
  - procurement and contract management arrangements. We recommended that the Council improve its procurement and contract management arrangements.

### **Responsibilities of the Council**

As explained in the Statement of responsibilities, the Council is required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets. The Council is responsible for putting in place proper arrangements for securing 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 review of the Council'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 Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken 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 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 documented our understanding of the arrangements the Council has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary which will be included in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Delayed certificate**

We cannot formally conclude the audit and issue an audit certificate for Cannock Chase District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice 2024 (the "Code") until we have completed all our responsibilities mandated by the Code.

- Our Whole of Government Accounts work for the year ended 31 March 2024, as mandated under the National Audit Office's group instructions, is currently outstanding.

We are satisfied that this work does not have a material effect on the financial statements, or on our conclusion on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2024.

### **Use of our report**

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Council'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 Council and the members of the Council as a body, for our audit work, for this report, or for the opinions we have formed.

*Andrew Reid*

**Andrew Reid, Key Audit Partner**

for and on behalf of Azets Audit Services, Local Auditor  
Birmingham

**28 February 2025**