CLACKMANNANSHIRE COUNCIL

THIS PAPER RELATES TO ITEM 4 ON THE AGENDA

Report to: Clackmannanshire Council

Date of Meeting: 20 August 2026

Subject: The 2023/24 Audit of Clackmannanshire Council

Report by: Chief Executive

1.0 Purpose

1.1. The purpose of this report is to advise Council of the Controller of Audit's Section 102 Report and the findings of the Accounts Commission and to present the proposed improvement and recovery plan which has been developed to address the matters identified.

2.0 Recommendations

It is recommended that Council:

2.1. **Notes** the findings of the Accounts Commission and the Controller of Audit contained within the Section 102 (**Appendix 1**)

2.2. **Notes** the Council's response submitted to the Controller of Audit during the Section 102 process (**Appendix 2**)

2.3. **Notes** that the Accounts Commission required the Council and its external auditors to jointly agree a recovery plan and that this was submitted to the Controller of Audit within the required timescale.

2.4. **Agrees** the improvement plan (**Appendix 3**) prepared in response to the Account Commission findings outlined in the Section 102 report.

2.5. **Notes** that officers are preparing a balanced and viable proposal for additional resource and support within the Finance Section to support delivery of the recovery plan, for consideration by a future Council meeting.

3.0 Background

3.1. Under Section 102 of the Local Government (Scotland) Act 1973, where the Controller of Audit submits a report to the Accounts Commission, the report must be considered by the local authority.

3.2. This report fulfils that requirement and provides Members with the opportunity to consider both the findings of the Controller of Audit and the Council's representations submitted during the statutory reporting process.

3.3. On 18 June 2026, the Leader of the Council and the Chief Executive attended the public, and private meeting, where the Accounts Commission considered the Controller of Audit's report. The Commission expressed concern regarding the continued absence of up-to-date financial information and concluded that this presents risks to governance, transparency, accountability and effective decision-making.

3.4. The Section 102 report focuses on the continued late submission of unaudited accounts and late completion of audited accounts over a number of financial years. The report highlights that the Council has not met statutory reporting deadlines since the Covid-19 pandemic and observes that delays have increased in recent audit cycles

3.5. The report also notes that when, in 2022/23, the statutory date of 30 September was reinstated twenty-six of the 32 councils did not meet this date and five of these were more than nine months late. In 2023/24, 21 councils did not sign off the accounts by the required date

3.6. The report notes that audited accounts for 2023/24 were approved in April 2026, approximately nineteen months after the statutory approval deadline of September 2024. It also highlights that unaudited accounts for 2023/24 were submitted seven months after the statutory submission deadline.

3.7. The Controller of Audit identifies four principal areas of concern:

- The continued late submission of unaudited accounts.
- The continued late completion of audited accounts.
- Capacity challenges within the Council's finance function.
- Risks arising from the delay to financial reporting, including impacts on scrutiny, governance and decision-making.

3.8. The report concludes that the situation requires urgent attention and that the Council and its auditors should agree a timetable for completion of the 2024/25 and 2025/26 audit. This requirement has now been met through the development and submission of the jointly agreed recovery plan attached at Appendix 3.

3.9. While the statutory report focuses on timeliness concerns, it also records a number of important contextual matters.

3.10. The Controller of Audit recognises the significant recruitment and retention challenges affecting finance professionals across Scottish local government and acknowledges the steps taken by the Council to address vacancies, strengthen capacity and manage long-term absence.

3.11. The report also recognises the actions taken by the Council to review its finance structure, utilise agency support, explore collaborative service models through Transformation Through Collaboration and implement wider workforce planning measures.

3.12. Importantly the Section 102 report confirms that the appointed auditor issued an **unqualified audit opinion** on the Council's 2023/24 Annual Accounts.

3.13. An unqualified audit opinion represents the highest level of assurance that external auditors can provide and confirms that, in the auditor's professional opinion, the financial statements present a true and fair view of the Council's financial position and comply with the relevant accounting and statutory requirements.

3.14. In responding to the Controller of Audit, the Council accepted that statutory reporting timescales have not been achieved and acknowledged that finance capacity pressures have contributed to delays. However, the Council also highlighted the wider context surrounding the deterioration in audit timeliness.

3.15. The Council's response demonstrated that whilst delays in submission of draft accounts increased from approximately two months in earlier years to seven months for 2023/24, the period between submission of draft accounts and completion of audits increased more significantly, rising from approximately five months in 2020/21 to over fifteen months by 2023/24. The Council therefore argued that the increasing delay cannot be attributed solely to Council-side factors and that a balanced assessment must recognise the contribution of factors affecting audit delivery

3.16. The Council further highlighted matters acknowledged within the statutory report itself, including:

- Three changes of audit appointment lead during the current audit appointment.
- Turnover within the audit team.
- Increased requests for information arising from audit staff changes.
- Challenges maintaining continuity of audit staffing.
- The cumulative impact of audit backlogs across multiple years.

3.17. The Council also emphasised that extensive efforts have been made to strengthen finance capacity, restructure services, recruit qualified staff, engage constructively with the auditor and support improvement activity aimed at restoring statutory timescale

3.18. Both the statutory report and the Council's response note that a joint lessons learned exercise has already been undertaken between the Council and the external audit team. Follow-up work is taking place to improve planning, sequencing and delivery of future audit cycles.

3.19. The Council remains committed to restoring compliance with statutory reporting requirements and continues to engage proactively with the appointed auditor, Audit Scotland and the Accounts Commission to agree realistic recovery plans and future audit timetables.

3.20. This commitment is demonstrated through the jointly agreed recovery plan submitted to the Controller of Audit and the additional actions now being presented to Council for approval.

3.21. In response to Finding 1 of the Accounts Commission report, the Council and Deloitte were required to jointly develop and submit a robust and resourced recovery plan to the Controller of Audit. The jointly agreed recovery plan was submitted on 31 July 2026.

3.22. The recovery plan focuses on four key themes. Firstly, strengthening finance capacity through the appointment of a permanent Chief Accountant, continuation of interim leadership arrangements during transition and the proposed use of external specialist support. Secondly, improving year-end planning, audit readiness, working paper quality and financial reporting processes. Thirdly, strengthening governance and political oversight through enhanced reporting arrangements and regular engagement between the Council and its auditors. Finally, the plan seeks to explore the use of technology and modernisation opportunities to improve efficiency, collaboration and the preparation of annual accounts.

3.23. The recovery timetable, appropriately resourced, aims to achieve completion of the 2024/25 accounts by March 2027, completion of the 2025/26 accounts by October 2027, completion of the 2026/27 accounts by June 2028 and a return to statutory submission timescales for the preparation of draft accounts from 2027/28 onwards.

3.24. The Council accepts the seriousness of the issues identified in the Section 102 report and recognises the importance of timely financial reporting. However, the Council's view remains that the causes of delay are systemic and cumulative in nature and that the evidence demonstrates that responsibility does not sit solely with the Council. The Council considers that a fair assessment must recognise the interaction between council capacity challenges, prolonged audit duration, audit resourcing pressures, changes within audit teams and the broader national audit backlog affecting elements of the local government sector.

3.25. The Council therefore welcomes continued engagement with the Accounts Commission and appointed auditor focused on practical recovery arrangements, future audit planning and restoring statutory timescales.

4.0 Sustainability Implications

4.1. The proposed recovery plan is intended to improve the long-term sustainability and resilience of the Council's financial management and reporting arrangements.

5.0 Resource Implications

5.1. Financial Details

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒

5.4. Staffing – there are no staffing implications arising from this report.

6.0 Exempt Reports

6.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities**

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all	☐
Our families; children and young people will have the best possible start in life	☐
Women and girls will be confident and aspirational, and achieve their full potential	☐
Our communities will be resilient and empowered so that they can thrive and flourish	☐

(2) **Council Policies**

Complies with relevant Council Policies ☒

8.0 Impact Assessments

8.1 Have you attached the combined equalities impact assessment to ensure compliance with the public sector equality duty and fairer Scotland duty? (All EFSIAs also require to be published on the Council's website)

Yes ☐

8.2 If an impact assessment has not been undertaken you should explain why:

An EQIA is not applicable in this context.

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

S102 Report

Clackmannanshire Councils letter to Controller of Audit

Improvement Plan

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☐

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Chief Executive	[redacted]

The 2023/24 audit of

Clackmannanshire Council

Continued late reporting of audited accounts

ACCOUNTS COMMISSION

Prepared by the Controller of Audit
July 2026

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Commission findings

The Accounts Commission has a statutory duty to secure the annual audit of all councils. It is our responsibility to highlight where we have concerns and to escalate these to Scottish Ministers when appropriate.

We welcome that the Controller of Audit has used her powers to bring forward a report on the continued late reporting of audited accounts in Clackmannanshire Council. The repeated absence of up-to-date financial information means that the council is making major decisions without certainty on its latest financial position. Our view is that this undermines financial governance, weakens decision-making, and limits effective scrutiny. It exposes officers and elected members to risks in meeting their statutory obligations and undermines public transparency and accountability.

Following consideration of the report (presented at page 5) at its meeting on 18 June, the Commission has made the following findings:

1. Despite repeated interventions by the Controller and the Commission during 2025 and early 2026 to obtain assurance on audit delivery, the council's 2023/24 accounts were not signed off until April 2026 – 19 months after the statutory deadline. Concerningly, the current plan for completing the 2024/25 and 2025/26 accounts points to worsening delays, without significant intervention and prioritisation. Going forward, we expect the council to demonstrate collective leadership to develop **a robust, resourced recovery plan, agreed with auditors, and submitted to the Controller by the end of July 2026.**

2. We note the approaches outlined by auditors to support the council in its ambitions to recover timescales and would emphasise the need to continue to work proactively with the council, as well as maintain audit team continuity. Recognising that recovery will take time, **strong partnership working is required over the next three years to ensure that meeting statutory deadlines is a priority.**

3 We recognise the council has explored various approaches to increasing and sustaining capacity in its finance function, including collaboration with other councils. The current team, though described by the council as stable, appears to us as fragile, lacking resilience and requiring ongoing support. **We urge the council to seek support from the local government sector and to explore, at pace, alternative ways of working that support resilience, recovery and ensure quality and accuracy are maintained.**

4 We note that the Council Leader recognises the seriousness of the ongoing situation and has committed to taking action to raise awareness with all elected members – not just those on the Audit and Scrutiny Committee. To fulfil their statutory duties, councillors must be inquisitive, exercise appropriate scrutiny, and provide appropriate challenge to officers. We highlighted this as a risk in our 2024 Best Value report and **expect to see evidence of significantly improved political oversight of the audit process in the next annual audit report.**

The 2023/24 audit of Clackmannanshire Council

Introduction

1. The Code of Audit Practice requires auditors to produce an Annual Audit Report (AAR) summarising the significant matters arising from their audit work. For local authorities, auditors address the AAR to elected members and the Controller of Audit.

2. I received the AAR and the audited annual accounts for Clackmannanshire Council for 2023/24 in April 2026. In the AAR, the auditor, has issued an unqualified opinion on the annual accounts but has identified significant matters in relation to the late reporting of the annual accounts.

3. I have therefore decided to use the reporting powers available to me under s102 (1) of the Local Government (Scotland) Act 1973 to bring these matters to the Accounts Commission's attention.

Background

Requirements

4. The statutory requirements for the reporting of unaudited and audited accounts for Scottish councils are set out in the Local Government (Scotland) Act 1973 and Local Authority Accounts (Scotland) Regulations 2014.

5. Councils must prepare annual accounts for each financial year ending 31 March, in line with proper accounting practices. The proper officer (section 95 officer/chief financial officer) must ensure the unaudited (draft) annual accounts are submitted for audit no later than 30 June following the year-end.

6. Councils must give public notice of the availability of the unaudited accounts and members of the public have the right to inspect the unaudited accounts and supporting documents and to lodge objections with the auditor.

7. Once the audit is complete, the audited accounts must be signed by the proper officer and the auditor's report issued. Councils have a statutory duty to aim to approve their accounts by 30 September following the year-end. Councils must publish the audited annual accounts, including the auditor's report no later than 31 October following the financial year-end.

8. In response to the Covid pandemic, the Scottish Government introduced the Coronavirus (Scotland) Act 2020. This relaxed the deadlines for issuing unaudited and audited accounts across public bodies, including councils, for 2020/21. Flexibility and later reporting targets continued into 2021/22, with the requirements reverting to the pre-Covid dates in 2022/23.

9. Across the public sector, some slippage continued in 2022/23 and 2023/24 with many bodies not meeting the deadline due to backlogs. However, for most bodies good progress has been made, with improvements being reported in the timeliness of finalising the accounts. For two councils, including Clackmannanshire, however, delays have been increasing, with timescales for the 2023/24 audit slipping further between the required and actual dates of finalising the audits. I plan to report on the position of the other council later in 2026.

The 2020/21 to 2022/23 reporting timelines

10. The council signed its audited accounts for 2017/18 and 2018/19 before the target date of 30 September.

11. In 2019/20 and 2020/21, the council missed the revised target submission deadline of 30 November by more than two months in both years. For 2021/22, the Scottish Government brought forward the target submission date to 31 October to support a return to pre-pandemic timescales; however, 22 councils did not achieve this. Clackmannanshire Council did not sign off its accounts until almost five months after the required date.

12. In 2022/23, the statutory date of 30 September was reinstated. Twenty-six of the 32 councils did not meet this date and five of these were more than nine months late. In 2023/24, 21 councils did not sign off the accounts by the required date, but only two, including Clackmannanshire Council were over nine months late. Clackmannanshire Council was 11 months late in signing its accounts for 2022/23 and 19 months late for 2023/24. Exhibit 1 sets out the timeline of reporting at Clackmannanshire Council since 2020/21 against national targets.

The 2023/24 annual audit

13. In the 2023/24 annual audit report, the auditor for Clackmannanshire Council raised that unaudited accounts have not been presented to the council on time for five years.

14. The unaudited accounts for year ending 31 March 2024 were presented for audit on 30 January 2025, seven months after the 30 June 2024 statutory deadline. The original timeline to complete the 2023/24 audit agreed between the council and the auditor was 30 January 2025, but the audit was not completed until April 2026. The auditor's report was issued, and the audited annual accounts were published by the council on 24 April 2026.

Exhibit 1
Timeline of reporting accounts at Clackmannanshire Council from 2020/21

The council has not managed to meet statutory targets for submission of unaudited accounts or approval of audited accounts since the Covid pandemic.

Financial year	Statutory target for submission of unaudited accounts	Actual	Months late	Statutory target for audited accounts approved	Actual	Months late
2020/21[1]	30 June 2021	31 August 2021	2	30 November 2021	3 February 2022	2
2021/22[2]	30 June 2022	5 September 2022	2	31 October 2022	23 March 2023	5
2022/23	30 June 2023	1 September 2023	2	30 September 2023	29 August 2024	11
2023/24	30 June 2024	30 January 2025	7	30 September 2024	24 April 2026	19
2024/25	30 June 2025	-		30 September 2025	-	-
2025/26	30 June 2026	-		30 September 2026	-	

Notes:
1. 2020/21 – The Coronavirus (Scotland) Act 2020 gave provision for councils to agree an extension of up to two months for submission of their unaudited accounts.
2. 2021/22 – Nationally delays were worse than 2020/21 for many councils. Clackmannanshire Council met a locally agreed timescale of 31 August 2022 for submitting unaudited accounts, but these were incomplete.

Source: 2020/21 annual audit report, 2021/22 annual audit report, Audit Scotland; 2022/23 annual audit report, 2023/24 annual audit report, Deloitte LLP

Impact on delivery of the audit

15. The auditor's AAR identifies a number of factors that have affected the conduct and timely completion of the audit.

Impact of the Covid pandemic

16. In the 2023/24 annual audit report, the auditor notes that unaudited accounts have not been presented on time for five years. The initial cause of these delays was the Covid-19 pandemic, during which the council prioritised the delivery of vital services to its communities.

17. The Scottish Government extended statutory deadlines to produce accounts for all councils in recognition of the unprecedented pressures associated with the pandemic. The council repeatedly missed the extended deadlines, and the auditor also observes in the 2023/24 annual audit report that delays arising in 2020/21 and 2021/22 have had a ‘knock-on impact in subsequent years’.

Access to finance team

Persistent audit findings

18. Auditors have consistently highlighted concerns about the council’s finance team capacity over a number of years. These concerns related to management changes affecting capacity, followed by the impact of Covid-19, when the team was stretched responding to pandemic priorities. Recent audit reports have also pointed to persistent workload pressures, vacancies and recruitment difficulties, including reliance on individual staff members to cover significant areas of work. In the latest AAR, auditors note that these concerns were compounded by long-term absences and other competing pressures, with the team also having to manage key strategic and budget responsibilities alongside the annual accounts and audit process.

19. Scotland’s Local Government Workforce Report 2024, produced by SOLACE, the Improvement Service and the Society of Personnel and Development Scotland, comments on the challenges of recruitment and retention across professional roles, including financial professionals. Recruitment and retention of qualified accountants is difficult across the Scottish local government and wider public sector, with organisations competing for a limited pool of candidates. Pay scales are typically below private sector and consultancy salaries, the work is demanding, and there are high scrutiny and levels of accountability to the public.

20. The council acknowledges its ongoing capacity challenges with high absence levels, high staff turnover and difficulties recruiting permanent qualified accountants. It has taken steps to address long-term absences through its attendance procedures, and it has continued to try to address vacancies through use of temporary agency staff and specialist agencies.

21. The council reports that between 2021/22 and 2025/26 it advertised 17 times and readvertised three times for staff for its finance team. This resulted in nine posts being filled and eight unfilled. At the time of drafting this report, of the finance teams 25.5 FTE establishment, three posts are vacant – the chief accountant, a management accountant and a senior accountancy assistant post. The chief accountant role is being covered by a temporary contractor.

22. The council began a review of the structure of the management of the finance team in 2023, and reports that it is exploring other ways to help address the capacity challenge. This includes:

- collaboration with other councils – the council is currently working with Falkirk and Stirling councils on a 'Transformation through Collaboration' programme which is focused on developing options to understand 'how services could work more collaboratively and effectively together in the future'. This includes consideration of aspects of the finance service
- potential introduction of market supplements for key posts which may assist for difficult to fill roles
- use of AI to improve processes and generate efficiencies.

Quality and accuracy of management accounting papers

23. The auditor has highlighted instances where the quality and accuracy of the supporting evidence provided by the finance team did not meet the standards required, which resulted in follow-up requests. The auditor set out in the 2023/24 audit issues related to:

- a high volume of comments on the accounts during the initial review of the draft annual report and accounts, including several disclosure misstatements and instances of missing information
- the requirement for a prior period restatement (related to correcting and restating pay band information which was previously presented based on remuneration subject to National Insurance rather than gross pay in error)
- instances where the quality and accuracy of the management accounting papers did not meet the standard required as supporting evidence
- control findings in relation to management's review of key accounting judgements.

Availability of the audit team

24. Achieving timely audit completion is a shared responsibility between auditors and audited bodies, supported by effective collaboration. Delays in providing the unaudited accounts and supporting audit material have made it challenging for the audit team to complete its work in line with agreed plans and to support the council in improving the timeliness of financial reporting. Audit teams operate tightly scheduled programmes in order to deliver planned audit work across the range of bodies to which the auditor is appointed. When the audit timeline is rescheduled on a regular basis it is more difficult for auditors to provide continuity in staffing and availability at certain times which combine to create a lack of efficiency in the audit process.

25. Over the course of the current audit appointment, there have been three different appointment leads, along with other changes in the team. Such turnover can impact on the audit process. New auditors need to build knowledge and understanding of systems and prior issues that typically develop over time.

26. The current auditor acknowledges that turnover within the audit team during the 2023/24 audit has resulted in an increased number of requests for information being made to the council's finance team. This added to the pressures already facing the finance team and further contributed to the delays.

27. In early May 2026, the auditor held a de-brief with senior members of the audit team and council finance team to 'identify lessons learned and improve this for future years'. Follow-up sessions focused on specific topics are planned from June 2026, to align with stages of the audit.

Impact and risks

Scrutiny and decision-making

28. The audit process and the annual audit report is intended to enhance officers' and elected members' understanding of the organisation's current financial and governance position. In the 2023/24 annual audit report, the auditor states that the audit team's aim is 'to add value to the council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the council promote improved standards of governance, better management and decision-making, and more effective use of resources'. However, the value of this work is diminished when reporting is so substantially delayed.

29. With annual accounting information and audit reporting out of date, there is a significant risk to the quality and effectiveness of scrutiny undertaken by the council, as well as to the quality of decision-making by officers and elected members.

30. A key area of concern is the lack of timely audited accounts at the time of budget-setting. The council set its 2026/27 budget in February 2026, with the most recent available set of audited accounts being from 2022/23 rather than 2024/25, which would have been the case had statutory deadlines been met. Those charged with governance must be confident that they have timely and accurate information on which to base their decisions. This risk is particularly acute given the financial challenges currently facing the local government sector.

The 2024/25 and 2025/26 audits

31. The 2025/26 audit should be commencing shortly. Unaudited accounts are due to be issued by the end of June 2026, with the audit concluded by the end of September. However, as the 2023/24 audit was not reported until April 2026 and the unaudited accounts for 2024/25 have yet to be submitted, a significant backlog in the preparation of annual accounts and completion of audits remains. The council anticipates issuing the unaudited accounts for 2024/25 in late 2026 or early in 2027. The council and auditor have not yet agreed a timetable for the 2024/25 and 2025/26 audits.

Conclusions

32. In 2020/21 and 2021/22, following the Covid pandemic, many councils had difficulty meeting the statutory deadlines for reporting their audited accounts. Almost all have since shown improvement in the timeliness of finalising the accounts, however Clackmannanshire is one of two councils where delays are increasing.

33. The continued pattern of late submission of unaudited accounts and approval of the audited accounts at Clackmannanshire Council needs to be addressed urgently by the council with support from its auditors and the wider local government sector. There is a significant risk to the council's financial governance, its ability to meet statutory obligations, transparency and the reliability of its financial information in supporting informed decision-making and budget-setting. Robust and timely information to inform decision-making has never been more important with Scottish councils facing unprecedented risks to financial sustainability.

34. It is evident that the council has made efforts to address the capacity of its finance team, but this has been challenging given difficult market conditions for recruiting finance professionals. The steps the council has taken have not yet had an impact on the council’s ability to approve and publish its accounts within six months of the year end. It is welcome that the council and audit team are working together to identify lessons to learn and improvements for future years. The auditor and council now need to agree a timeline for the 2024/25 and 2025/26 accounts and annual audit.

35. I have also asked the appointed auditor to provide an update in their AAR on the 2024/25 accounts on the issues raised in this report and I will continue to monitor the audit with a view to further public reporting in the future if appropriate.

The 2023/24 audit of Clackmannanshire Council

Continued late reporting of audited accounts

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ISBN: 978 1 918486 17 9

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[redacted]

Helena Gray
Controller of Audit

Issued by email to: [redacted]

Telephone: [redacted]
Email: [redacted]
Our Ref:
Your Ref:
Date: 29th May 2026

Dear Helena,

S102 RESPONSE

This letter sets out the Council's formal response to matters raised through statutory reporting under section 102 of the Local Government (Scotland) Act 1973 in the Draft Controller of Audit's Report, together with associated correspondence and engagement with the appointed external auditor and the Controller of Audit. The requested template table for capturing the Councils factual accuracy comments has also been completed on the Sharepoint site.

The Council recognises the seriousness of a section 102 report and the importance of the Accounts Commission receiving clear, evidence-based responses to concerns identified through the audit process. The Council is fully committed to restoring statutory timescales and remains willing to engage constructively with:

- the appointed auditor;
- the Controller of Audit;
- Audit Scotland, and
- the Accounts Commission,

to agree realistic, evidence-based recovery plans that reflect the current audit backlog and capacity constraints on all sides.

However, the Council is concerned that the draft statutory report issued in this instance does not, in the Council's view, fully or fairly reflect the context in which the audit has been undertaken, nor the challenges previously and consistently highlighted by the Council in relation to audit delivery, capacity constraints, and the cumulative impact of prolonged audit timescales.

In particular, the Council has previously drawn attention to:

- the sustained pressure on finance and audit teams arising from extended audit timetables;
- the impact of audit delays on the Council's ability to progress subsequent year accounts, budget setting, and wider financial management activity, and

- the extent to which delays have arisen from factors beyond the direct control of the Council, including issues relating to audit delivery and resourcing.

The purpose of this response is therefore not only to address the specific matters set out in the section 102 report, as attributed to the Council, but also to place the contributory delays in audit delivery within their proper operational and organisational context. The Council considers this essential to ensuring that any conclusions drawn, or further actions contemplated, are proportionate, fair, and consistent with the Accounts Commission's stated approach to transparency, balance, and improvement.

The Council's response, therefore, seeks to:

- clarify the actions already taken by the Council to support the audit process and mitigate delay;
- reiterate concerns previously communicated regarding the sustainability of current audit arrangements;
- distinguish clearly between matters within the Council's control and those attributable to audit delivery, and
- support a constructive resolution that focuses on restoring timely audit completion and avoiding recurrence, rather than attributing responsibility without full consideration of the evidence.

The Council remains committed to constructive engagement with its external auditor, the Controller of Audit and the Accounts Commission. This letter is intended to support that engagement by providing a clear, factual, and balanced account of the Council's position, and by ensuring that, the Controller of Audit and ultimately the Accounts Commission's consideration of this matter is informed by the full history of correspondence, representations and challenges already raised.

2.0 Chronological narrative of reporting delays and audit duration

This section presents a chronological narrative of accounts preparation and audit completion. The data covers the last five financial years and records statutory targets, actual submission and sign-off dates, audit committee consideration, and the elapsed duration between draft and audited financial statements. This information can be inferred from the Draft section 102 report but has not been explicitly presented.

The purpose of this section is to demonstrate how delays have accumulated over successive audit cycles, with a particular focus on the increasing duration of the audit phase between draft accounts and final audited sign-off.

2.1 Authoritative timeline of draft and audited accounts

The evidence records the following actual elapsed time between draft financial statements and audited financial statements:

Financial Year	External Auditor	Months between Draft Accounts received by Auditor and Signed Audited Statements
2020/21	Audit Scotland	~5.1 months
2021/22	Audit Scotland	~6.6 months
2022/23	Deloitte LLP	~12.0 months
2023/24	Deloitte LLP	~15.4 months
2024/25	Deloitte LLP	Not yet completed

This data shows a clear and sustained increase in the elapsed audit period, particularly from 2022/23 onwards.

2.2 Change in audit provider and correlation with audit duration

The evidence confirms that:

- audits for 2020/21 and 2021/22 were undertaken by Audit Scotland; and
- audits from 2022/23 onwards have been undertaken by Deloitte LLP.

During the Audit Scotland period, the elapsed time between draft and audited accounts ranged between approximately five and seven months. From 2022/23 onwards, following the change in external auditor, the elapsed audit period increased significantly to approximately twelve months, and then to over fifteen months in 2023/24.

The Council recognises that correlation alone does not establish causation, however, the documented chronology shows that the most material deterioration in timeliness has occurred within the audit phase, rather than at the point of initial draft preparation.

2.3 Knock-on impact between audit cycles

The evidence also records the months between the previous year's audited accounts and the following year's draft accounts, evidencing the compounding effect of extended audits on subsequent reporting cycles.

For example:

- the prolonged completion of the 2022/23 audit resulted in the 2023/24 draft accounts being presented significantly later in the cycle; and
- the extended completion of the 2023/24 audit has directly constrained the timetable for 2024/25, for which audited accounts remain outstanding at the time of reporting.

This shows that delays are not confined to a single financial year but carry forward, reducing the ability to recover statutory timelines once a backlog has formed.

2.4 Council representations on balance and attribution

The Council fully acknowledges that draft accounts for recent years have been submitted later than statutory targets, and that internal capacity pressures have been a contributing factor. However, the Council's position is that the dominant increase over time has been in the duration of the audit itself, rather than the delay attributable to the preparation of draft accounts, for example, Exhibit 1 shows that the delay in submission of unaudited accounts from the Council for 2020/21 was 2 months, 2021/22 2 months, 2022/23 2 months and 2023/24 7 months but the elapsed audit period has more than doubled between 2020/21 and 2023/24.

The Council acknowledges its responsibilities in full. However, it seeks a balanced and evidence-led assessment that reflects the full chronology and avoids attributing the worsening position predominantly to Council factors where the documented increase is most pronounced in the audit phase.

3.0 Audit resourcing, continuity, and public-sector audit experience

This section considers audit resourcing, team continuity and public sector audit experience during the 2022/23 audit period and subsequent years, drawing on the draft section 102 report and published annual audit reporting. It also sets out the Council's representations on how these factors have contributed to extended audit duration and cumulative delay.

3.1 Audit team turnover and continuity

The draft section 102 report explicitly acknowledges that, over the course of the current audit appointment, there have been three different appointment leads (Partners), together with other changes within the audit team. These are significant factors and have led to delays in audit work being progressed, for instance, the changes in Partner all took place in the period of one audit year (2023/24); significant delays occurred whilst each Partner was identified/appointed; new auditors require time to develop knowledge and understanding of the Council's systems and prior-year issues and also require additional testing to satisfy sign off requirements.

Whilst we completely understand such pressures from first hand experience, the draft section 102 report does not highlight the proportionality of delays attributed to this factor creating a potential sense of different thresholds of accountability for auditors and the audited body.

The report further records that turnover within the audit team resulted in an increased volume of information requests, which added to pressures on the finance team and contributed to delays in completing the audit.

These acknowledgements are particularly relevant in the context of the 2022/23 audit, which was the first year of the current external auditor's appointment, and where continuity of audit personnel would reasonably be expected to play a material role in audit efficiency.

3.2 Impact of turnover on audit scope and testing

The draft section 102 report also records that the auditor identified a high volume of comments and follow-up requests during the review of draft accounts, including disclosure issues, restatements, and additional supporting evidence requests.

While the report frames these matters primarily through the lens of audit quality and assurance, the Council's position is that the interaction between audit team turnover and audit approach is a critical contextual factor. Where audit teams change, there is an inherent risk of:

- repeated or expanded testing in areas previously reviewed.
- re-examination of judgements already considered in earlier phases; and
- an increase in clarification requests as new team members build familiarity with local authority accounting frameworks and local systems.

It is the Council's view that these risks crystallised in the delivery of our audits over two financial years (2022/23 and 2023/24) and was characterised by a significant volume of additional testing to meet the External Auditor's internal risk thresholds- this has been acknowledged publicly in the recent Council meeting.

There is also evidence that this higher testing threshold is experienced by other councils where the Appointed Auditor is from a private firm. The statutory report acknowledges the existence of turnover and increased requests; however, the Council considers that the practical impact of these factors on elapsed audit time requires clearer recognition within the overall assessment.

3.3 Public-sector audit experience and first-year effects

The 2022/23 audit marked the commencement of a new five-year external audit appointment by Deloitte LLP. The draft section 102 report confirms that this appointment began in 2022/23 and continues through to 2026/27.

The Council recognises that first-year audits commonly involve a learning curve as auditors develop:

- understanding of public-sector accounting frameworks.
- familiarity with local authority governance, committee structures, and statutory reporting requirements; and
- knowledge of local systems, prior-year judgements and sector-specific risks.

The Council's representation is that the scale and duration of the first year (2022/23) audit, when viewed alongside acknowledged audit team turnover and lack of public sector experience, is consistent with a first-year audit effect that extends beyond 2022/23 and has continued to impact delivery timescales into 2023/24 too.

3.4 Process and audit resourcing considerations

The draft Section 102 report notes that audit timelines were frequently rescheduled, which made it more challenging for auditors to maintain continuity of staffing and availability.

From the Council's perspective, repeated rescheduling and changing audit requirements increased the complexity of coordinating responses and contributed to inefficiencies in the audit process.

The Council considers that these inefficiencies are systemic in nature, rather than the result of isolated issues on either side. While the statutory report focuses on the consequences of delay, the Council's position is that delays have been driven by the interaction between audit resourcing, continuity of staff, the evolving audit approach, and the overall duration of the audit. These factors, taken together, are central to understanding why delays have increased over time.

The Council also experienced operational challenges in the use of the Deloitte Connect portal for managing audit requests. Information was, at times, uploaded without sufficient explanation or supporting narrative (for example, spreadsheet data presented without context), making it difficult to interpret the nature and purpose of the request. In addition, some queries did not demonstrate a full understanding of local authority practices, resulting in additional clarification being required. This led to inefficiencies in the handling of audit queries and increased the time required from both the Council and audit teams to progress responses.

3.5 Council position on cumulative impact

The Council accepts that audit quality and assurance are paramount. However, the Council's position, based on the acknowledgements within the section 102 report itself, is that:

- audit team turnover;
- increased information and testing requests; and
- first-year audit effects within a public-sector context

have together contributed materially to the extension of audit duration, particularly from 2022/23 onwards.

When read alongside the documented increase in elapsed audit time between draft and audited accounts, these factors support the Council's view that the worsening position cannot be attributed wholly or substantially to Council-side resourcing or timeliness, but must be understood as the product of interacting and cumulative pressures across the audit system as a whole, with the worsening position being proportionally most significant in respect of audit delivery delays rather than those attributable to the Council.

4.0 Council actions taken to mitigate audit delay and support audit delivery

This section sets out the actions taken by the Council to mitigate audit delay and support audit delivery, drawing explicitly on evidence contained within the section 102 evidence base. The actions described below are evidenced in the draft statutory audit reporting, audit planning papers, and correspondence between the Council and its external auditors.

4.1 Addressing finance team capacity and resilience

The draft section 102 report acknowledges that the Council has taken positive and sustained actions to address finance team capacity, despite difficult market conditions for recruiting qualified public-sector accountants.

Documented actions include:

- repeated recruitment exercises for finance posts, including the use of temporary agency staff and specialist agencies where permanent recruitment proved challenging.
- management of long-term absences through established attendance procedures; and
- approval of structural changes to the finance function, including the creation of an additional Chief Accountant post and a Senior Accountancy Assistant post and the upgrading of roles to increase professional capacity.

The section 102 report explicitly notes that, while these actions have not yet resulted in full recovery of statutory timelines, efforts to address capacity are evident and ongoing.

4.2 Structural review and workforce planning

The Council undertook a review of the finance team structure as part of wider corporate workforce planning. This review resulted in:

- making temporary posts permanent,
- introducing additional accountant capacity by replacing lower-graded posts with higher-skilled accountancy roles to strengthen technical resilience.

In parallel, the Council explored collaborative approaches with neighbouring councils, including our ongoing participation in “Transformation through Collaboration”, explicitly aimed at identifying opportunities to strengthen services, including finance.

4.3 Engagement with audit planning and timetabling

Evidence demonstrates that the Council actively engaged with the external auditor on audit planning and scheduling, particularly during the 2022/23 audit, which followed the transition to a new external auditor.

Correspondence shows that:

- the Council participated in planning meetings and briefing sessions to support audit understanding and alignment.
- the Council reviewed and responded to proposed condensed audit timetables, acknowledging constraints arising from the delayed completion of the prior year’s audit; and
- the Council collaborated with the auditor to agree availability of staff and sequencing of deliverables.

The correspondence explicitly records that revised timelines were developed in response to the delayed completion of earlier audits, and that the Council engaged constructively in agreeing realistic delivery windows.

4.4 Provision of information and audit support

Audit planning reports confirm that the Council:

- provided draft accounts and working papers in line with revised, jointly-agreed timetables.
- engaged with requests for additional audit information; and
- supported audit fieldwork across planning, interim, and final stages, notwithstanding capacity constraints.

The 2022/23 External Audit Planning Report records that revised timetables explicitly took account of resource capacity within both the Council and the external audit team, and that delays in completing earlier audits were recognised as a constraining factor.

4.5 Learning and continuous improvement

The draft section 102 report records that, in early May 2026, a joint audit de-brief was held involving senior members of the audit team and the Council’s finance team, with the explicit purpose of identifying lessons learned and improving future audit delivery.

The report further records that follow-up sessions focused on specific audit stages are planned, demonstrating a shared commitment to improving audit efficiency and reducing avoidable friction in future cycles.

4.6 Council position on effectiveness of actions

The Council fully acknowledges that statutory timescales have not yet been restored, however, based on the evidence above, the Council's position is that:

- actions to address capacity and resilience have been material, sustained and evidenced.
- the Council has engaged proactively and transparently with external auditors on planning, timetabling, and delivery; and
- the absence of full recovery reflects the cumulative impact of multi-year audit backlog, rather than a lack of action or cooperation by the Council.

The Council therefore considers it essential that any assessment under section 102 reflects not only outcomes, but also the documented actions taken to mitigate delay and support audit delivery, as evidenced within this response.

5.0 Conclusions

This section summarises the Council's conclusions based on the evidence set out in this response and outlines the Council's position on the Draft Section 102 report:

- The evidence presented demonstrates that delays have developed over successive audit years, with impacts carrying forward between cycles and constraining recovery within a single reporting period. This reflects a pattern of structural delay rather than isolated underperformance,

- Delay cannot be attributed to a single organisation or reporting year. We believe that any interpretation that attributes causation predominantly to the Council does not fully reflect the evidence base assembled for the section 102 process.

- The worsening position reflected in the draft section 102 report is proportionately greater with regards delays in the delivery of the audit

- Audit duration and audit delivery constraints are material contributors. The section 102 report itself acknowledges audit team turnover, changes in appointment leads, increased information requests, and difficulties maintaining audit continuity. These factors coincide with a material increase in elapsed audit duration and are considered to be substantive drivers of cumulative delay

- Council actions to mitigate delay are evidenced and sustained. The Council has taken demonstrable action to address finance capacity, restructure services, engage with audit planning, and participate in joint learning and improvement activity. The evidence shows consistent engagement and cooperation throughout the audit process

- Timeliness must be clearly distinguished from financial stewardship and governance quality. The Independent Auditor's Report for 2023/24 issued an unqualified opinion, confirming that the financial statements give a true and fair view and were properly prepared in accordance with the Code and statutory requirements. Delay alone does not equate to unreliable accounts or poor stewardship.

The Council also notes that the section 102 report does not set out any recommendations or proposals as to how the current position might be recovered, notwithstanding the material and sustained actions already taken by the Council to mitigate delay and support audit delivery.

In particular, the report does not address how recovery might be achieved in light of the documented increase in audit duration, the cumulative impact of audit delays, or the significant recruitment and capacity actions undertaken by the Council, including repeated recruitment activity, structural reform, and the use of temporary specialist support.

The Council considers this omission significant and would welcome any explicit suggestions or recommendations and/or best practice that may contribute to facilitating future adherence to statutory timelines.

The Council also notes that the section 102 report itself records that no agreed audit timetable is currently in place for the 2024/25 and 2025/26 audits. The Council considers this a material factor in assessing both recoverability and proportionality.
In the absence of confirmed audit plans, delivery milestones and sequencing, the Council's ability to restore statutory timescales is inherently constrained, regardless of the actions taken internally. The Council therefore considers that forward audit planning, and the role of the appointed auditor in agreeing realistic recovery timetables, is a critical component of any effective response to the issues identified.

The Council also wishes to record its concern regarding the application of a fee in respect of the section 102 report. Given that the evidence demonstrates a material contribution from extended audit duration, audit resourcing and continuity issues, and cumulative backlog, the Council finds it difficult to understand the basis on which additional costs are being attributed solely to the Council.

Finally, the Council requests clarification as to the number of other local authorities, NHS bodies and further education institutions audited by Deloitte LLP which have experienced late audit completion and delayed publication of accounts during the current appointment period, and how Clackmannanshire's experience compares to that cohort. The Council considers this information essential to any fair and proportionate assessment of relative performance, given it has anecdotal knowledge of many of the factors we have highlighted being material for other audited bodies.

In closing, I would reiterate that the Council remains fully committed to restoring statutory timescales and remains willing to engage constructively with the appointed auditor, Audit Scotland and the Accounts Commission to agree realistic, evidence-based recovery plans that reflect the current audit backlog and capacity constraints on all sides. We continue to work constructively with our Auditor despite the impact of and reasons for delays.

However, the Council has set out our concerns that the statutory reporting issued in this instance does not, in the Council's view, fully or fairly reflect the context in which the audit has been undertaken. I do hope that it is of assistance to the Accounts Commission and Controller of Audit to present our perspective and look forward to our discussion on these matters when we meet on the 18th of June.

Yours sincerely

[redacted]

Nikki Bridle
Chief Executive

Accounts Recovery Action Plan – Response to Accounts Commission Findings

Commission Expectation			
Develop a robust, resourced recovery plan agreed with auditors and submitted to the Controller by end July 2026.			
Council Response			
Establish a recovery programme supported by external audit and additional external resource via PwC.			
Actions	**Timeline**	**Owner**	**Intended Outcome**
Joint letter to Controller of Audit	2024/25 accounts – March 2027 2025/26 accounts – October 2027 2026/27 accounts – June 2028 2027/28 accounts – October 2028* *(Commitment to providing the 27/28 draft accounts by 30th June (statutory deadline) but would need to discuss with incoming new auditors on audit timeline for finalisation of audited accounts and sign off" This milestone is the Council's projected outcome based on successful delivery of the recovery programme and is not specified within the timetable included with Appendix 1)*	Council/Deloitte	To ensure the financial statements of accounts are submitted in line with statutory requirements.

Commission Expectation			
Strong partnership working with auditors over the next three years, including continuity and proactive engagement			
Council Response			
Formal partnership approach with Deloitte and structured governance arrangements.			
Actions	**Timeline**	**Owner**	**Intended Outcome**
Weekly meetings in place with Deloitte and senior finance team to discuss progress of audit programme External Audit scheduled quarterly meetings with Leader of the Council External Audit scheduled quarterly meetings with the Chair of the Audit Committe External Audit scheduled quarterly meetings with Chief Executive, Chief Finance Officer and Head of Corporate Services. Regular debrief activities and 'open door' policies on part of both Deloitte and Council ensuring access and ability to escalate issues	Weekly Quarterly Quarterly Quarterly Ongoing	Deloitte/Chief Accountant Deloitte/Leader Deloitte/Chair Audit and Scrutiny Deloitte/CEX/HoS/S95 Deloitte/Council	Improved partnership working and governance oversight

Commission Expectation			
We urge the council to seek support from the local government sector and to explore, at pace, alternative ways of working that support resilience, recovery and ensure quality and accuracy are maintained.			
Council Response			
Strengthen capacity through recruitment, collaboration and technology-enabled improvements			
Actions	**Timeline**	**Owner**	**Intended Outcome**
Significant efforts have been made over a number of years to secure additional capacity and specialist expertise within the Finance Service. As has been experienced across both the wider public sector and local government, the recruitment and retention of suitably qualified finance professionals has proved, and continues to prove, challenging. In response, the Council has undertaken repeated recruitment exercises, engaged temporary agency and consultancy support, and explored the potential use of market supplements for hard-to-fill posts. Whilst some of these measures have provided short-term support, they have not delivered the level of resilience required to address the current reporting backlog and support sustainable recovery. Council officers will develop a balance proposal, for Council approval, which supports additional resource/support. The proposal will include potential for targeted external support, potential for a dedicated Year End as a Service team to	September/October 2027	Chief Finance Officer	Backlog eliminated and statutory reporting timetable restored with associated improvement in working papers and finalised accounts. Resilient and sustainable finance function with reduced dependency on key individuals.

support audit planning, year-end close activities and liaison with external auditors, and specialist assistance in the preparation of the Council's statutory financial statements. Permanent Chief Accountant appointed; Extension of existing interim Chief Accountant The Council recognises that long-term resilience will require structural solutions in addition to the recovery actions set out within this plan. Through the Transformation Through Collaboration programme with Falkirk and Stirling Councils, future work could focus on how finance services can operate more collaboratively in future, including opportunities to share professional expertise, develop common approaches to technical accounting and financial reporting, strengthen succession planning and improve organisational resilience.	 September 2026 Aug- October 2026 Ongoing TBC	 Chief Finance Officer Chief Finance Officer CEX/Directors	Potential for future collaboration work in relation to finance

Commission Expectation			
We expect to see evidence of significantly improved political oversight of the audit process in the next annual audit report.			
Council Response			
Enhanced governance, member development and reporting arrangements.			
Actions	**Timeline**	**Owner**	**Intended Outcome**
Progress report – Standing item on Council agenda regarding progress on 2023/24 Audit of Clackmannanshire Council improvement plan	From October 2026 onwards	Chief Finance Officer/Chief Accountant (Deloitte in attendance at meeting)	Stronger member scrutiny, challenge and accountability evidenced through future audits.
Progress report – Standing Item on Audit and Scrutiny Committee agenda regarding progress on 2023/24 Audit of Clackmannanshire Council improvement plan	From October 2026 onwards	Chief Finance Officer/Chief Accountant (Deloitte in attendance at meeting)	
Continued finance briefings to Council and members	Ongoing	Chief Finance Officer/Chief Accountant	
Budget Strategy updates as standing item on Council updating on gap and budget progress	Ongoing	Chief Finance Officer/Chief Accountant/	

Financial Induction of elected members following May 2027 elections	May 2027	Chief Finance Officer/Chief Accountant/Acting Chief Finance Officer/Senior Manager – HR and WFD	