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| **CLACKMANNANSHIRE COUNCIL** | **THIS PAPER RELATES TO ITEM 6**<br>**ON THE AGENDA** |

**Report to: Council**

**Date of Meeting: 1 October 2026**

**Subject: 2023/24 Audit Recovery Programme and Financial Reporting Improvement Plan - Progress Report**

**Report by: Chief Finance Officer**

## 1.0 Purpose

1.1. The purpose of this report is to provide Council with an update on the implementation of the Council's Audit Recovery Programme and Improvement Plan approved by Council, in response to the Accounts Commission Section 102 Report. The report provides an assessment of progress against agreed recovery actions, recovery milestones and governance arrangements designed to restore compliance with statutory financial reporting requirements

## 2.0 Recommendations

Council is asked to:

2.1. note, comment on and challenge the progress set out in this report and its appendices;

2.2. note that the principal recovery milestones remain: approval of the audited 2024/25 accounts by March 2027 and the audited 2025/26 accounts by October 2027;

2.3. note progress with procurement of additional specialist support as approved by Council on 10 September 2026;

2.4. note the current overall **Amber** programme assessment and the risks and mitigating actions set out in this report; and

2.5. note that any material slippage, significant variance against the approved expenditure ceiling or other risk to delivery will be reported to elected members at the earliest opportunity.

## 3.0 Considerations

3.1. On 20 August 2026 Council approved the improvement plan and recovery Programme developed in response to the Accounts Commission's Section

102 Report and the jointly agreed recovery plan submitted to the Controller of Audit.

3.2. The recovery programme aims to restore compliance with statutory financial reporting requirements through enhanced governance, strengthened finance capacity, external specialist support, improved audit readiness and technology-enabled improvements.

3.3. The Accounts Commission specifically requested stronger political oversight of the audit process and regular monitoring of progress. This quarterly report supports that requirement.

3.4. On 10 September 2026, Council approved Option 5, the hybrid accelerated delivery model, together with an allocation of up to £485,000 from the Transformation Fund. The allocation is a maximum ceiling and not a spending target.

3.5. This report provides a consolidated quarterly update on delivery of the Council's Improvement Plan and Audit Recovery Programme. Appendix 1 sets out progress against the actions contained within the Improvement Plan, including the status of key deliverables, milestones and recovery actions. Appendix 2 provides an update on progress towards completion of the 2024/25 and 2025/26 annual accounts and audits, including performance against the agreed recovery timetable and any emerging risks or issues requiring management action.

3.6. The programme has moved into its initial implementation phase. Weekly meetings between the senior Finance Team and Deloitte are in place to monitor the audit plan, agree information requirements, address issues and maintain clarity over the respective responsibilities of the Council and external audit.

3.7. The principal milestones remain approval of the audited 2024/25 annual accounts by March 2027 and approval of the audited 2025/26 annual accounts by October 2027. The auditors are reviewing the 2024/25 audit timetable following confirmation that the accounts will now be updated during the audit period to reflect updated asset valuations. The wider timetable anticipates completion of the 2026/27 accounts by June 2028 and preparation of the 2027/28 draft accounts by the statutory deadline of 30 June 2028, with the final audit timetable to be agreed with the incoming auditor.

3.8. No change is currently proposed to these milestones pending feedback from the auditors on the impact of updating the 2024/25 accounts for revised asset valuations during the audit period. The overall programme is assessed as **Amber**, reflecting this emerging timetable dependency, the scale of delivery and its dependence on timely procurement and mobilisation of specialist support, sustained Council and audit capacity, complete working papers and prompt resolution of technical accounting matters.

3.9. Following Council approval, officers finalised the scope and pricing workbook for the mini-competition. The competition was launched through the identified procurement route, with a short evaluation and mobilisation period to protect the recovery timetable.

3.10. The specification covers dedicated accounts recovery capacity, technical accounting support, audit readiness, process redesign, knowledge transfer and technology-enabled improvements. Evaluation will place 80% weighting on quality and 20% on price, including consideration of named personnel, availability, mobilisation, delivery approach and sustainability.

3.11. Core recovery work will be distinguished from optional transformation or technology proposals. Optional elements will only be commissioned where affordable, necessary and demonstrably value for money. Payments will be linked to evidenced delivery against agreed outputs and milestones.

3.12. The mini competition was launched following approval by Council at its meeting on 10th September and closed on 23rd September.

3.13. Work continues on preparation of the 2024/25 draft annual accounts and supporting audit evidence. Weekly planning is being used to improve clarity over audit requests, deadlines, wider-scope work and evidence requirements.

3.14. The immediate focus is on confirming the detailed production of the draft accounts and audit plan, managing critical-path activities, agreeing working-paper standards, resolving technical matters early, strengthening quality assurance and aligning Council, provider and Deloitte resources.

3.15. The auditors are reviewing the timetable for the audit of the 2024/25 annual accounts following confirmation from the Council that the accounts will now be updated during the audit period to reflect updated asset valuations. This differs from the Council’s previous position that the accounts would not be updated for these valuations. Feedback is awaited from the auditors on any impact on the audit timeline. The risk assessment remains Amber pending confirmation of the position.

3.16. Recruitment and retention of experienced public-sector finance professionals remains challenging. The approved hybrid model combines immediate specialist capacity with development of permanent internal capability. External support must therefore strengthen audit readiness, improve processes, transfer knowledge and leave sustainable improvements within the Finance Service.

3.17. Recruitment to permanent vacancies is continuing, alongside exploration of sector support and longer-term collaborative working through Transformation Through Collaboration with Falkirk and Stirling Councils.

3.18. Regular reporting to Council and the Audit and Scrutiny Committee is central to the recovery programme. Reports will cover milestones, procurement and deployment, expenditure, outputs, knowledge transfer, process improvements and emerging risks.

3.19. Any material risk or slippage arising between scheduled reporting dates will be escalated at the earliest opportunity rather than held until the next quarterly report.

**4.0 Sustainability Implications**

4.1. None.

**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*

**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)

No ☒

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

*There are no direct impacts resulting from the contents of this report.*

**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".

Appendix 1 – Accounts Recovery Action Plan - Progress Report.

Appendix 2 - Audit Delivery 2024/25 and 2025/26 - Programme Dashboard

**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 ☐

The 2023/24 Audit of Clackmannanshire Council - Council report 20 August 2026

**Author(s)**

| NAME | DESIGNATION | TEL NO / EXTENSION |
|---|---|---|
| Lindsay Sim | Chief Finance Officer | |

**Approved by**

| NAME | DESIGNATION | SIGNATURE |
|---|---|---|
| Chris Alliston | Head of Corporate Services | [redacted] |

**Appendix 1 - Accounts Recovery Action Plan – Progress Report**

| **Commission Expectation** | | | |
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| 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. | | | |
| **Actions** | **Timeline** | **Owner** | **Progress** |
| As per the annex letter to Controller of Audit | 2024/25 accounts – March 2027<br>2025/26 accounts – October 2027<br>2026/27 accounts – June 2028<br>2027/28 accounts – October 2028*<br><br>*(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 | Preparation of 2024/25 and 2025/26 annual accounts and Audit Planning is in progress.<br>Timeline unchanged. |

The March 2027 milestone remains unchanged at this stage. Deloitte is reviewing the audit timetable following confirmation that the Council will update the 2024/25 accounts during the audit period to reflect updated asset valuations. Feedback is awaited on any impact on the timetable, and the position remains assessed as Amber.

| **Commission Expectation** | | | |
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| 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** | **Progress** |
| Weekly meetings in place with Deloitte and senior finance team to discuss progress of audit programme | Weekly | Deloitte/Chief Accountant | Weekly meetings in place with Senior Finance Team and Deloitte. |
| External Audit scheduled quarterly meetings with Leader of the Council | Quarterly | Deloitte/Leader | Meetings scheduled |
| External Audit scheduled quarterly meetings with the Chair of the Audit Committee | Quarterly | Deloitte/Chair Audit and Scrutiny | Meetings scheduled |
| External Audit scheduled quarterly meetings with Chief Executive, Chief Finance Officer and Head of Corporate Services | Quarterly | Deloitte/CEX/HoS/S95 | Meetings scheduled |
| Regular debrief activities and ‘open door’ policies on part of both Deloitte and Council ensuring access and ability to escalate issues | Ongoing | Deloitte/Council | In place |

| **Commission Expectation** | | | |
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| 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** | **Progress** |
| 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 | August 2026–Dec 2027 | Chief Finance Officer | Vacant posts are actively being recruited to through both Council recruitment processes and with assistant of recruitment agencies.<br>Mini competition to secure external support has been undertaken through September following Council approval of additional funds.<br>Transformation Through Collaboration Project continues with both Falkirk and Stirling Councils to explore efficiencies through joint working arrangements. |

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| 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 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 | September 2026 | Chief Finance Officer | Chief Accountant start date 28th September 2026 |
| Extension of existing interim Chief Accountant | Aug- October 2026 | Chief Finance Officer | Interim Chief Accountant extended to October |
| 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, | TBC | CEX/Directors | Under consideration as part of the Transformation Through Collaboration project with Falkirk and Stirling Councils. |

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| strengthen succession planning and improve organisational resilience. | | | |

| **Commission Expectation** | | | |
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| 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** | **Progress** |
| 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<br>(Deloitte in attendance at meeting) | In Progress – reports added to forward pan of meetings for both Council and Audit & Scrutiny. This report forms the first report, being presented to Council on 1st October. |
| 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<br>(Deloitte in attendance at meeting) | In Progress – reports added to forward pan of meetings for both Council and Audit & Scrutiny. First report will be presented to Audit & Scrutiny Committee on 29th October. |
| Continued finance briefings to Council and members | Ongoing | Chief Finance Officer/Chief Accountant | In progress – regular reports scheduled for Council and Audit & Scrutiny Committee |

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| Budget Strategy updates as standing item on Council updating on gap and budget progress | Ongoing | Chief Finance Officer/Chief Accountant/ | In Progress – Budget strategy update reports added to Forward Plan. Budget Strategy Report and Update on MTFS being presented to Council meeting on 1st October. |
| 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 | Planning to commence April 2027. |

**Appendix 2 – Audit Delivery 2024/25 and 2025/26 Programme Dashboard**

The March 2027 target remains unchanged at this stage. The auditors are reviewing the timetable following confirmation that the accounts will be updated during the audit period for revised asset valuations. Feedback is awaited on any impact on the timeline; the status remains Amber.

| Recovery Area | Success Measure | Target Date | RAG Status | Previous Quarter | Progress this quarter |
|---|---|---|---|---|---|
| 2024/25 Accounts | Audited Accounts Approved | March 2027 | Amber | N/A | On track - work progressing in line with timeline |
| 2025/26 Accounts | Audited Accounts Approved | October 2027 | Amber | N/A | On track – work progressing in line with timeline |
| Finance Capacity | Permanent Chief Accountant In place | September 2026 | Green | N/A | Chief Accountant start date - 28th September 2026 |
| Finance Capacity | Emerging vacancies addressed | Ongoing | Amber | N/A | Recruitment continuing for vacant posts. Education Accountant and Senior Accountancy Assistant successfully recruited to on a permanent basis. |
| External Support | Support in place and operating effectively | August/Sept 2026 | Amber | N/A | Mini competition undertaken in Sept. |
| Audit – readiness | Year end planning, working papers and | Ongoing | Amber | N/A | Weekly meetings in place with Senior Finance Team and Deloitte. |

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| | quality checks in place | | | | |
| Partnership Working | Governance meetings with Deloitte in place | Weekly/Quarterly | Green | N/A | Weekly meetings in place with Senior Finance Team and Deloitte. Quarterly meetings in place with Senior Officers and Members and Deloitte. |
| Technology and Modernisation | Agreed digital process improvements implemented | Ongoing | Amber | N/A | Agreed within procurement specification of external support. |
| Elected Member oversight | Quarterly reports and governance arrangements in place and maintained | Quarterly | Green | N/A | Reporting requirements established. |
| Overall Programme Assessment | Recovery programme remains on track to achieve agreed timetable | N/A | Amber | N/A | Milestones unchanged; material dependencies require active management. |

Key:

**Green**: On track, with no material issue affecting delivery.

**Amber**: Milestone remains achievable, but a risk or dependency requires active management.

**Red**: Significant slippage or an unresolved issue risks the agreed recovery timetable.