CLACKMANNANSHIRE COUNCIL

THIS PAPER RELATES TO ITEM 9

ON THE AGENDA

Report to: Council

Date of Meeting: 26 November 2026

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

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Report by: Chief Finance Officer

1.0 Purpose

1.1. The purpose of this report is to provide the 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 that Deloitte's Annual Audit Plan for 2024/25 was presented to the Audit and Scrutiny Committee on 29 October 2026 and that the audit commenced on 2 November 2026;

2.4. note that PwC has mobilised and is now providing specialist support alongside the Finance Team, together with the contract and funding position set out in paragraphs 3.12 to 3.16;

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

2.6. note that any material slippage, significant variance against the approved expenditure ceiling or other material 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 follows the first progress update presented to Council on 1 October 2026 and the detailed update considered by the Audit and Scrutiny Committee on 29 October 2026. It forms the second progress update to Council under the enhanced governance arrangements established through the Audit Recovery Programme. Council's role is to maintain political oversight of the overall recovery programme, consider progress against the agreed milestones and resources, and challenge any significant risks or matters requiring further action. The Audit and Scrutiny Committee provides more detailed scrutiny of delivery and assurance from officers and external audit.

3.6. The report should be considered alongside the detailed progress set out in Appendices 1 and 2. Since the previous update, the agreed timetable for providing the 2024/25 draft annual accounts and supporting working papers to external audit has been met, and the audit commenced on 2 November 2026. Particular attention is drawn to the continuing Amber programme assessment, completion of the updated asset valuation work, the timely resolution of audit queries and the capacity required to complete the 2024/25 audit while progressing the subsequent annual accounts within the agreed recovery period.

3.7. The Council will receive quarterly progress reports. Any material slippage, significant change in risk, or forecast expenditure outside the approved parameters will be escalated to elected members at the earliest opportunity.

3.8. 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.

3.9. The programme has now moved from mobilisation into active audit delivery. Weekly high-level meetings are in place between the Senior Finance Team and Deloitte to review progress against the audit plan, confirm information requirements, address emerging issues and maintain clarity over respective responsibilities. In addition, the Finance Team and PwC are meeting with Deloitte junior team more regularly, generally two to three times each week, to coordinate detailed delivery, resolve issues and maintain progress against the agreed workplan.

3.10. 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. PwC will review the updated asset valuations and advise on the timetable for providing the relevant information to Deloitte, following which Deloitte will assess any consequential impact on the 2024/25 audit timetable. 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 external auditor.

3.11. No change is currently proposed to these milestones pending completion of the valuation review and Deloitte's subsequent assessment of any impact on the 2024/25 audit timetable. The overall programme is assessed as **Amber**. While the milestone for providing the 2024/25 draft accounts and supporting working papers has been achieved, the remaining timetable is demanding and continues to require active management. The principal dependencies are completion of the updated asset valuation work, timely resolution of audit queries and technical accounting matters, and sustained capacity across the Council, PwC and Deloitte.

3.12. Following Council approval on 10 September 2026, the mini-competition for additional specialist support was launched through the identified procurement route and closed on 23 September 2026. The specification sought dedicated accounts recovery capacity, technical accounting support, improved audit readiness, process redesign, knowledge transfer and technology-enabled improvement.

3.13. The evaluation methodology applies an 80% weighting to quality and 20% to price. Quality considerations include the experience and availability of named personnel, the proposed mobilisation arrangements, the robustness of the delivery approach and the extent to which the proposal will support sustainable improvement within the Finance Service.

3.14. The evaluation completed in September and the contract was awarded to PricewaterhouseCoopers LLP (PwC) in October. The contract value is £495,750, which is £10,750 above the £485,000 allocation approved by Council on 10 September 2026. The additional £10,750 will be met from within existing Finance Service budgets, with no further call on the Transformation Fund. Mobilisation commenced during the week beginning 12 October 2026.

3.15. Core recovery activity will be separated from optional transformation or technology proposals. Optional elements will only be commissioned where they are affordable, necessary to support the recovery programme and demonstrably represent value for money. Payment arrangements will be linked to evidenced delivery against agreed outputs and milestones.

3.16. The outcome of the procurement exercise, the agreed scope, mobilisation arrangements and contract value are reported to the Council through this report. The contract value of £495,750 is £10,750 above the £485,000 allocation from the Transformation Fund approved by Council. The additional amount will be met from within existing Finance Service budgets. Contract expenditure, delivery against agreed outputs and achievement of the expected benefits will be monitored through the programme governance arrangements and reported in future progress reports.

3.17. The 2024/25 draft annual accounts and supporting audit evidence were provided to Deloitte in line with the agreed recovery timetable, and the audit commenced on 2 November 2026. All audit queries due by the agreed initial deadlines were answered, with the supporting information uploaded to Deloitte's portal. This included the full suite of working papers supporting the draft annual accounts.

3.18. The immediate focus is now on maintaining momentum through the audit, responding promptly to further information requests, resolving technical accounting matters as they arise, completing the outstanding valuation-related work and maintaining effective quality assurance and coordination across the Finance Team, PwC and Deloitte.

3.19. PwC is supporting the Finance Team with the updated asset valuations and associated accounting requirements. The relevant information will be provided to Deloitte as the work is completed, and any consequential impact on the audit timetable will be assessed with Deloitte. The risk assessment remains Amber pending completion of this work and continued delivery against the detailed audit timetable.

3.20. Deloitte's Annual Audit Plan for 2024/25 was presented to the Audit and Scrutiny Committee on 29 October 2026 and the audit commenced on 2 November 2026 in accordance with the agreed timetable. External audit will continue to provide its independent perspective on progress, audit readiness and any matters that may affect delivery. Deloitte's appointment has also been extended for a further two years, providing continuity of external audit during the recovery period.

3.21. Where external audit identifies any additional actions or changes to the delivery timetable, these will be reflected in the programme plan and reported through the next progress update.

3.22. 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.

3.23. 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.

3.24. 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.

3.25. 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

The external support will provide additional specialist capacity to support accounts preparation, technical accounting, audit readiness, process improvement and knowledge transfer. This supplements, but does not replace, ongoing recruitment to permanent vacancies within the Finance Service.

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

2023/24 Audit Recovery Programme and Financial Reporting Improvement Plan - Progress Report – Council report 1 October 2026

Author(s)

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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			
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 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	The 2024/25 draft annual accounts and supporting working papers were provided to Deloitte in line with the agreed timetable. The audit commenced on 2 November 2026. Principal recovery milestones remain unchanged.

he March 2027 milestone remains unchanged. The 2024/25 draft annual accounts and supporting working papers were provided to Deloitte in line with the agreed timetable, and the audit commenced on 2 November 2026. All initial audit queries were answered and supporting information was uploaded to Deloitte's portal by the required deadlines. The position remains assessed as Amber because delivery continues to depend on completion of the updated valuation work, prompt resolution of audit queries and sustained capacity across the Council, PwC and Deloitte.

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**	**Progress**
Weekly meetings in place with Deloitte and senior finance team to discuss progress of audit programme	Weekly	Deloitte/Chief Accountant	Weekly high level meetings in place with Senior Finance Team and Deloitte to review progress against the audit programme. More regular meetings being held with Finance Team, PwC and Deloitte to coordinate delivery and resolve issues.
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			
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	August 2026–Dec 2027	Chief Finance Officer	Vacant posts are actively being recruited to through both Council recruitment processes and with assistance of recruitment agencies. The mini-competition for specialist external support was completed following Council approval of

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 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.			additional funding. The contract has been awarded to PwC, and mobilisation commenced during the week beginning 12 October 2026. Transformation Through Collaboration Project continues with both Falkirk and Stirling Councils to explore efficiencies through joint working arrangements.
Permanent Chief Accountant appointed	September 2026	Chief Finance Officer	Chief Accountant started on 28 September 2026
Extension of existing interim Chief Accountant	August - October 2026	Chief Finance Officer	Interim Chief Accountant extended to October 2026

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.	TBC	CEX/Directors	Under consideration as part of the Transformation Through Collaboration project with Falkirk and Stirling Councils.

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**	**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 (Deloitte in attendance at meeting)	In Progress – reports added to forward plan of meetings for both Council and Audit & Scrutiny. First report presented to Council on 1

			October 2026 and this report forms 2nd update report to Council.
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)	In Progress – reports added to forward plan of meetings for both Council and Audit & Scrutiny. The first detailed progress report was considered by the Audit and Scrutiny Committee on 29 October 2026.
Continued finance briefings to Council and members	Ongoing	Chief Finance Officer/Chief Accountant	In progress – regular reports scheduled for Council and Audit & Scrutiny Committee.
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 presented to Council at its meeting on 1 October. Next report to be presented alongside this report at the Council meeting on 26 October 2026.

Financial Induction of elected members following May 2027 elections	May 2027	Chief Finance Officer/Chief Accountant/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. PwC will review the updated asset valuations and advise on the timetable for providing the relevant information to Deloitte, following which Deloitte will assess any consequential impact on the 2024/25 audit timetable. The status remains Amber pending confirmation of the position.

Recovery Area	Success Measure	Target Date	RAG Status	Previous Quarter	Progress this quarter
2024/25 Accounts	Audited Accounts Approved	March 2027	Amber	N/A	Draft annual accounts and supporting working papers provided to Deloitte in line with the agreed timetable. Audit commenced on 2 November 2026. Delivery remains subject to the dependencies and risks described in the report.
2025/26 Accounts	Audited Accounts Approved	October 2027	Amber	N/A	Work progressing in line with timeline, however, delivery remains subject to the dependencies and risks described in the report.
Finance Capacity	Permanent Chief Accountant In place	September 2026	Green	N/A	Chief Accountant started on 28 September 2026
Finance Capacity	Emerging vacancies addressed	Ongoing	Amber	N/A	Recruitment continuing for vacant posts. Management Accounting Team Leader successfully recruited to on a permanent basis.

					Recruitment to backfill vacant Accountant post as a result of internal appointment underway.
External Support	Support in place and operating effectively	October 2026	Green	N/A	PwC is mobilised and working alongside the Finance Team. Weekly high-level meetings and more frequent operational meetings are in place to coordinate delivery.
Audit – readiness	Year end planning, working papers and quality checks in place	Ongoing	Amber	N/A	Weekly meetings in place with Senior Finance Team, PwC and Deloitte. Draft accounts and the full suite of supporting working papers were provided in line with the agreed timetable. All initial audit queries were answered by the required deadlines and supporting information was uploaded to Deloitte's portal.
Partnership Working	Governance meetings with Deloitte in place	Weekly/Quarterly	Green	N/A	Weekly high-level meetings are in place with Deloitte. The Finance Team and PwC also meeting Deloitte two to three times each week to coordinate detailed

					delivery and resolve emerging issues.
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. Regular meetings are being held between specific members and Deloitte reports presented to audit & Scrutiny Committee and Council.
Overall Programme Assessment	Recovery programme remains on track to achieve agreed timetable	N/A	Amber	N/A	Draft accounts milestone achieved and the audit commenced on 2 November 2026. Overall status remains Amber because the remaining timetable and 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.