CLACKMANNANSHIRE COUNCIL	THIS PAPER RELATES TO ITEM 3 ON THE AGENDA

Report to: Clackmannanshire Council

Date of Meeting: 10 September 2026

Subject: Resourcing the Financial Reporting Recovery Plan

Report by: Chief Executive

1.0 Purpose

1.1. The purpose of this report is to seek Council approval for the financial investment required to support delivery of the Financial Reporting Recovery Plan in order to restore compliance with statutory financial reporting requirements and to consider the available options for resourcing the accelerated recovery programme previously submitted to the Controller of Audit

1.2. The report also seeks Council approval of the procurement route through which the specialist external support required to implement the preferred option will be secured.

2.0 Recommendations

It is recommended that Council:

2.1. **Notes** that, when considering the Section 102 Report and associated Recovery Plan on 20 August 2026, Council agreed that officers would prepare and bring forward a balanced and viable proposal for additional resource and support within the Finance Section to support delivery of the Recovery Plan, and that this report fulfils that commitment.

2.2. **Notes** that the Accounts Commission required the Council, and its external auditor to prepare a robust and resourced recovery plan to restore compliance with statutory financial reporting requirements (**Appendix 1**)

2.3. **Notes** that the recovery plan submitted to the Controller of Audit was based on an accelerated recovery model requiring additional capacity, specialist support and process improvement activity

2.4. **Notes** the extensive actions previously taken by the Council to strengthen finance capacity including service restructuring, agency support, recruitment exercises, workforce planning activity, interim management arrangements and exploration of collaborative service solutions (**Paragraphs 3.5 – 3.8**).

2.5. **Notes** the options appraisal set out in **Appendix 2** which considers a range of potential resourcing models from maintaining the status quo through to hybrid external provider engagement, together with options based on additional recruitment, sector support, targeted external support and a hybrid accelerated model.

2.6. **Agrees** that the preferred option is Option 5, the Hybrid Accelerated Model, which combines permanent finance leadership capacity, interim transition support, targeted external year-end and audit readiness support, statutory financial statements support, technology-enabled improvements and continued exploration of wider sector support

2.7. Determines that the specialist external support required to implement Option 5 will be procured through the CCAS Framework Agreement and agrees either

2.7.1. **to authorise** a direct award to one of the three named suppliers on the CCAS Framework Agreement (**paragraph 3.22**), on the basis that immediate mobilisation may minimise delay and reduce the risk to delivery of the agreed recovery milestones; **or**

2.7.2. **to instruct** officers to commence a mini competition, based on the draft scope (**Appendix 3**) involving all three suppliers appointed on the CCAS Framework Agreement, recognising that this represents the lower-risk procurement route from an audit and governance perspective, but may introduce additional procurement and mobilisation time before specialist support can commence.

2.8. **Agrees** subject to approval of recommendation 2.6 and Council's determination of the procurement route under recommendation 2.7, expenditure of up to £485K from the Transformation Fund to support implementation of the Financial Reporting Recovery Programme.

2.9. **Notes** that officers will continue to explore opportunities for additional support from external organisations, partner councils and the wider local government sector where such support can add capacity, provide technical challenge or strengthen the sustainability of the Council's financial reporting arrangements.

2.10. **Notes** that, if the investment is not approved, or if the procurement route selected by Council results in material delay to the mobilisation of specialist support, officers will require to assess the continuing viability of the accelerated recovery timetable with Deloitte and advise the Controller of Audit and the Accounts Commission of any resulting material change to the recovery programme.

3.0 Background

3.1. On 20 August 2026 Council considered the Section 102 Report issued by the Controller of Audit relating to the continued late submission and audit of the Council's annual accounts. The Accounts Commission concluded that the situation required urgent attention and instructed the Council and Deloitte to produce a robust and resourced recovery plan

3.2. Council subsequently approved the recovery plan and improvement programme submitted to the Controller of Audit. Council also noted that a separate report would be brought forward setting out proposals for the additional resources required to support delivery of that plan

3.3. The jointly agreed recovery plan establishes an accelerated timetable aimed at achieving completion of the 2024/25 accounts by March 2027, completion of the 2025/26 accounts by October 2027 and restoration of statutory reporting timescales thereafter

3.4. The Section 102 Report acknowledged the significant recruitment and retention challenges affecting finance professionals across Scottish local government and recognised the measures already undertaken by the Council to address vacancies and strengthen resilience

3.5. Over a number of years the Council has undertaken substantial activity to strengthen the Finance Section. This has included repeated recruitment exercises, the use of agency and consultancy support, service restructuring, workforce planning measures, review of finance operating arrangements, exploration of market supplement arrangements, interim management arrangements and consideration of collaborative approaches through the Transformation Through Collaboration programme.

3.6. The Council has also actively engaged with partner councils and sector networks to explore opportunities for mutual aid, secondment arrangements and the sharing of suitably qualified finance expertise. Whilst these discussions were constructive, partner councils are experiencing many of the same recruitment and capacity challenges and have been unable to provide the level of additional support required to address the Council's financial reporting backlog and recovery requirements.

3.7. The Council has further sought to strengthen internal capacity through the approval of additional finance resource as part of the budget-setting process and continues to actively recruit to key posts. However, recruitment and retention challenges remain significant and reflect wider national workforce pressures across local government finance services. As highlighted within *Scotland's Local Government Workforce Report 2024*, councils continue to experience difficulties attracting and retaining suitably qualified professional staff in a highly competitive labour market. Locally, the Council has also experienced turnover within key finance positions, creating additional pressures on service resilience, continuity and organisational knowledge.

3.8. Whilst the measures implemented to date have assisted in maintaining statutory finance functions and supporting service delivery, they have not delivered sufficient capacity, resilience or specialist expertise to address the accumulated reporting backlog and deliver the accelerated recovery timetable agreed with Deloitte and submitted to the Controller of Audit.

3.9. The Council has also maintained interim professional leadership arrangements whilst seeking to secure permanent appointments to key posts and has now successfully appointed a permanent Chief Accountant who will commence in late September.

3.10. Whilst these actions have assisted the Council in maintaining financial governance and securing an **unqualified audit opinion for the 2023/24** accounts, they have not delivered sufficient capacity or resilience to address the accumulated reporting backlog and meet the accelerated recovery timetable agreed with Deloitte.

3.11. The recovery plan submitted to the Controller of Audit concluded that returning to compliance within an acceptable timescale cannot be achieved through existing resources alone. Both the Council and Deloitte considered alternative recovery scenarios before concluding that an accelerated and properly resourced approach offered the most realistic route to recovery.

3.12. The options presented reflect the requirement to restore compliance with statutory financial reporting requirements, the significant financial commitment involved, the recognised recruitment and retention challenges affecting finance professionals across Scottish local government, and the need to ensure that any additional support strengthens rather than substitutes the Council’s permanent finance capacity

3.13. The options (**Appendix 2**) considered range from maintaining the status quo through to full engagement of external specialist support. They also include options based on additional recruitment to the Finance Section, targeted external support, potential sector support, and a hybrid accelerated model.

3.14. The preferred option is the Hybrid Accelerated Model. which reflects the approach set out in the recovery plan and the joint letter submitted to the Controller of Audit. It combines permanent leadership capacity through the appointment of the Chief Accountant, interim support during the transition period, targeted external support for audit readiness and statutory financial statements preparation, enhanced governance arrangements, technology-enabled financial reporting improvements and continued exploration of support from Audit Scotland, partner councils and the wider local government sector

3.15. Importantly, the support model is designed not only to accelerate recovery but to transfer knowledge into the permanent finance team, improve operational processes and embed more sustainable working practices. The proposed approach supports the Council's objective of achieving recovery whilst strengthening long-term organisational resilience. This is particularly important given the recognised fragility within the finance function, the difficulties experienced in recruiting and retaining suitably qualified finance professionals, and the need to reduce future reliance on temporary or external support.

3.16. The proposed approach is consistent with the expectations of the Accounts Commission that the Council should seek external support, explore alternative ways of working and implement a properly resourced recovery programme. It also responds to the requirement that recovery should be supported by strong partnership working with the appointed auditor and by enhanced governance arrangements capable of providing political and organisational oversight of progress.

3.17. Officers do not recommend the Status Quo option. While it would avoid significant additional expenditure, it would not provide a credible basis for delivering the accelerated recovery timetable agreed with Deloitte and submitted to the Controller of Audit. It would also increase the likelihood that officers would need to revisit the timetable with Deloitte and advise the Controller of Audit and Accounts Commission of any resulting changes to the recovery programme.

3.18. Officers also do not recommend a recruitment-only approach. Additional recruitment remains essential to the long-term sustainability of the Finance Section, but the Council has already undertaken repeated recruitment exercises, agency support, consultancy support, service restructuring, workforce planning activity and interim leadership arrangements. These actions have supported continuity and financial governance, but have not delivered sufficient capacity or resilience to address the accumulated reporting backlog and meet the accelerated recovery timetable.

3.19. Officers will continue to explore whether external organisations, partner councils or the wider local government sector can provide additional support, technical challenge or peer input. However, this should be treated as a complementary action rather than the primary resourcing route.

3.20. On balance, officers recommend the Hybrid Accelerated Model. This provides the most proportionate and deliverable approach by combining immediate specialist support with permanent capacity-building, knowledge transfer, improved audit readiness arrangements and technology-enabled financial reporting improvements. It also provides Members with assurance that the proposed investment is intended to support both recovery and longer-term sustainability, rather than creating an open-ended reliance on external support.

3.21. The accelerated approach represents a transformational intervention rather than solely a short-term response to the financial reporting backlog. The investment will be used to redesign and standardise key finance and year-end processes, strengthen governance and audit-readiness arrangements, embed technology-enabled improvements, develop the capability of the permanent Finance team through structured knowledge transfer, and reduce reliance on manual processes, key individuals and external support. By combining delivery of the immediate recovery milestones with sustainable changes to systems, processes, skills and ways of working, the programme aims to establish a more resilient and effective financial reporting operating model.

3.22. The proposed investment represents a significant commitment of Council resources and would utilise a substantial proportion of the remaining Transformation Fund. Whilst officers consider this expenditure necessary to deliver the recovery programme agreed with Deloitte and submitted to the Controller of Audit, Members should recognise that allocating funding to support financial reporting recovery will reduce the Council's ability to utilise the Transformation Fund for other strategic priorities, service redesign activity, organisational development initiatives and future transformation opportunities.

3.23. The CCAS Framework Agreement has three providers listed, KPMG, PwC and Forvis Mazars LLP, and provides the option of either undertaking a mini competition involving all suppliers appointed to the relevant lot or making a direct award where it is considered appropriate and the award is made in accordance with the framework provisions. A mini competition would ordinarily be the preferred procurement route because it would allow the Council to compare competing methodologies, proposed resources, mobilisation arrangements and pricing. It would consequently provide stronger comparative assurance and represents the lower-risk route from an audit and governance perspective.

3.24. In this case, that governance benefit must be balanced against the operational and timetable risks affecting the recovery programme. The critical milestones are completion of the 2024/25 Annual Accounts by March 2027 and completion of the 2025/26 Annual Accounts by October 2027.

3.25. A mini competition would require the Council to finalise and issue the specification (**Appendix 3),** provide an appropriate period for suppliers to prepare submissions, evaluate the submissions received, complete the award process and allow the successful provider to mobilise. This process could delay commencement of external specialist support when compared with progressing a direct award.

3.26. The immediate consequence could be that external support would not commence at the earliest available opportunity. Activities dependent on that support, including elements of year-end planning, audit readiness, preparation of statutory financial statements, process improvement and knowledge transfer, would commence later or would initially require to be progressed using existing internal and interim capacity.

3.27. The CCAS Framework Agreement provides a compliant mechanism through which a direct award may be made if Council concludes that accelerated appointment is necessary to support the recovery timetable and mitigate programme delivery risk.

4.0 Sustainability Implications

4.1. The proposal supports the long-term sustainability and resilience of the Council's financial management arrangements through investment in organisational capability, process improvement, knowledge transfer, workforce development and technology-enabled financial reporting solutions. Whilst the proposal reduces funding available for alternative transformation priorities, the investment is intended to create a sustainable operating model capable of returning the Council to statutory compliance. The recommended Hybrid Accelerated Model is intended to balance short-term recovery requirements with longer-term resilience by ensuring that external support is linked to knowledge transfer, improved working practices and reduced future reliance on temporary intervention.

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 ☒

The recommended option requires expenditure of £485K from the Transformation Fund. This will reduce the level of funding available to support other transformation priorities, service redesign activity, organisational development initiatives and future transformation opportunities. Officers consider that this investment is necessary to support delivery of the Financial Reporting Recovery Programme and to reduce the risk of further delay in restoring statutory reporting compliance.

5.4. Staffing – the recommended option has staffing implications. These relate to the continuation of interim finance leadership support during the transition to the permanent Chief Accountant, the potential use of temporary or seconded specialist finance capacity, the continued pursuit of recruitment to strengthen the Finance Section, and the use of external specialist support to supplement capacity during the recovery period. The proposal is intended to support the permanent finance team through knowledge transfer, improved process design and reduced reliance on key individuals

5.5. Exempt Reports

5.6. 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

Options Appraisal: Resourcing the Financial Reporting Recovery Programme

Draft proposed Procurement Scope

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)

NAME	DESIGNATION	TEL NO / EXTENSION
Chris Alliston	Head of Corporate Services	

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

Contents

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

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500
www.audit.scot

ISBN: 978 1 918486 17 9

AS.5.1

APPENDIX 2 – OPTIONS APPRAISAL

Option and approach	Benefits	Risks / limitations	Timing and mobilisation	Cost implications	Impact on accelerated recovery plan	Overall assessment
1. Status Quo Continue with existing permanent, interim and approved resources without material additional specialist capacity.	• No new procurement or supplier mobilisation. • Lowest immediate additional direct expenditure.	• Does not address the identified capacity and specialist expertise gaps. • Existing staff continue to carry the backlog and recovery activity. • Potential for continuing agency, interim, overtime, additional audit or remedial costs if slippage continues.	Work continues immediately within current capacity. Avoiding procurement lead time does not resolve the underlying resource gap.	Lowest immediate additional cost. Consequential costs from delay, extended temporary support, additional audit work or remedial intervention are unquantified.	Does not provide a credible basis for the accelerated timetable. The March 2027 and October 2027 milestones would be at significant risk and the timetable may require early review with Deloitte.	High delivery risk. Not recommended.
2. Recruitment-Led Model Seek to resource the accelerated programme primarily through additional recruitment to the Finance Section, supported by agency or temporary finance staff where recruitment is unsuccessful.	• Builds internal capacity. • Supports long-term sustainability and reduced future reliance on temporary support.	• Recruitment outcomes and start dates are uncertain. • Does not assure immediate specialist year-end, audit-readiness or statutory accounts capacity. • Interim or agency support may need to continue during recruitment and transition.	Recruitment can continue immediately, but operational capacity depends on successful attraction, notice periods, pre-employment processes and induction. Full capacity is unlikely to be available at the earliest stage of recovery.	Interim or agency expenditure may continue until posts are filled and operational. Exact cost depends on posts, grades and appointment dates.	Positive for longer-term resilience, but leaves a short-term delivery gap and does not sufficiently protect the accelerated milestones as a standalone option.	Medium to high short-term risk. Not sufficient alone.
3. Sector / Partner Support Seek mutual aid, secondments, peer support or technical input from partner councils and wider public-sector bodies.	• May provide technical challenge, peer input or capacity for discrete tasks. • May have a lower direct cost than commercial support.	• Availability, scale and duration depend on third parties. • No assured volume or continuity of support. • Secondment, backfill, travel or contribution costs may still apply.	Discussions can continue immediately, but mobilisation depends on third-party capacity, approvals and release of suitably qualified staff.	Potentially lower direct cost, but arrangements and associated charges are unknown.	Useful as complementary input, but cannot reliably underpin the full accelerated programme or protect all milestones.	High dependency risk. Complementary only.

Option and approach	Benefits	Risks / limitations	Timing and mobilisation	Cost implications	Impact on accelerated recovery plan	Overall assessment
4. Targeted External Support Approve a more limited package of external specialist support focused on the highest-risk elements of the recovery plan, such as audit planning, audit request management, working paper quality and statutory financial statements support, alongside recruitment and interim transition arrangements.	• Targets specific bottlenecks. • Provides specialist expertise for defined tasks. • Potentially lower headline cost than a broader commission.	• May fragment accountability and delivery. • Scope gaps, extensions or rework could increase cost.	Depends on procurement route, scope clarity and supplier availability. A narrower package may mobilise more readily, but separate packages may create coordination dependencies.	Lower planned cost than a full hybrid commission, subject to scope. Final price depends on procurement outcome and may increase if gaps or extensions arise.	Can reduce specific bottlenecks, but may not provide integrated programme management, process improvement, knowledge transfer or sufficient overall capacity.	Medium risk. May address discrete gaps but carries fragmentation risk.
5. Hybrid Accelerated Model Approve a balanced package combining permanent recruitment, short-term interim leadership continuity, targeted external Year End as a Service support, statutory financial statements support, technology-enabled improvements and continued exploration of collaborative or sector support.	• Strongest combination of immediate capacity and longer-term resilience. • Integrates specialist support, knowledge transfer and process improvement. • Most closely aligned with the recovery plan and critical milestones.	• Highest planned additional investment and material call on the Transformation Fund. • Delivery timing depends on the procurement route and supplier mobilisation. • External support requires clear scope, governance and knowledge-transfer controls.	Direct award could offer the earliest available mobilization. A mini competition adds specification, response, evaluation, award and mobilisation stages.	Highest planned direct investment. The costs is estimated at £485K, Direct award enables earlier contract finalisation against the existing proposal; mini competition compares prices and methodologies and could produce a different final cost.	Provides the strongest basis for March 2027 and October 2027. Any delay to external mobilisation compresses the delivery window, reduces contingency and could increase the risk that the programme may require to be revisited with Deloitte.	Best balance of pace, capacity and sustainability. Recommended.

APPENDIX 3 – ITT Scope

Core Purpose: restore compliant financial reporting timescales while building a sustainable and resilient finance function

1. Background

Following publication of the Accounts Commission findings relating to the Council's late financial reporting, the Council and its appointed auditor agreed a recovery plan to restore compliance with statutory reporting timescales. The recovery plan requires strengthened finance capacity, improved year-end processes, enhanced audit readiness arrangements, stronger governance and the introduction of modernised ways of working.

2. Purpose of the Commission

The Council is seeking specialist external support to accelerate delivery of the agreed recovery plan and to build a sustainable and resilient finance function. The commission requires practical recovery delivery, technical accounting expertise, audit readiness support, capability building and knowledge transfer. The core recovery requirement is mandatory. Any wider process improvement, automation, technology or transformation activity is optional and must be separately described and priced.

3. Scope of Services

Bidders must address all elements of the Core Requirement. Optional enhancement activity may also be proposed but must not be necessary for delivery of the mandatory recovery outcomes.

3.1 Core Requirement (Mandatory)

The successful supplier must provide an integrated resource model capable of delivering the following three requirements.

Requirement A: Recovery Programme Leadership and Management

- Provide a suitably experienced Recovery Programme Lead.
- Mobilise and coordinate delivery of the agreed recovery plan.
- Maintain an integrated delivery plan, milestone tracker, action log, risk register and issue log.
- Coordinate dependencies across the recovery programme and escalate barriers to delivery.
- Provide clear and proportionate progress reporting to the Council and relevant external stakeholders.
- Support effective governance, assurance and decision-making throughout the commission.

Requirement B: Technical Accounting and Financial Statements Support

- Provide a suitably qualified Technical Accounting Lead and additional technical capacity where required.
- Support preparation, review and quality assurance of the statutory financial statements.
- Provide technical accounting advice, including application of relevant accounting standards and the local authority Code of Practice.
- Support preparation and quality assurance of working papers, disclosures and supporting evidence.
- Support resolution of technical accounting issues and audit queries.
- Work collaboratively with Council officers and the appointed external auditor throughout the accounts and audit process.

Requirement C: Audit Readiness and Delivery Support

- Undertake and maintain an assessment of audit readiness.
- Support year-end planning and delivery of the accounts production timetable.
- Coordinate audit requests and evidence requirements.
- Review the completeness and quality of working papers and audit evidence.
- Manage audit action tracking and support timely resolution of outstanding matters.
- Undertake lessons learned reviews and embed improvements into subsequent reporting cycles.

3.2 Mandatory Recovery Outcomes

Bidders must demonstrate a credible and deliverable approach to supporting the Council to achieve the following agreed recovery milestones:

- 2024/25 accounts completed by March 2027.
- 2025/26 accounts completed by October 2027.

Bidders must identify the assumptions, dependencies, Council inputs and principal risks associated with achieving these milestones. Proposals should explain how delivery will be adapted if assumptions change or risks materialise.

3.3 Knowledge Transfer and Capability Building (Mandatory)

- Build Council officer capability through practical joint working, coaching and structured knowledge transfer.
- Document key processes, controls, working papers and guidance so that improvements can be sustained.
- Identify skills and capacity gaps relevant to delivery of the recovery plan.
- Reduce reliance on external support over the life of the commission.
- Provide a clear exit and transition plan, including handover of knowledge, documentation and outstanding actions.

3.4 Optional Improvement and Transformation Activity

The Council may commission additional activity where this supports longer-term sustainability and represents value for money. Optional activity may include:

- Finance process redesign and improvement.
- Standardisation and simplification of processes and working papers.
- Automation opportunities.
- Digital or technology-enabled audit readiness solutions.
- Financial reporting, workflow or audit evidence management tools.
- Wider finance transformation or modernisation activity.

Optional activity must be separately scoped and priced. Bidders must distinguish clearly between improvements required to deliver the core recovery outcomes and discretionary enhancements. The Council reserves the right not to commission any or all optional activity.

4. Mandatory Deliverables

Deliverable	Minimum requirement
Mobilisation plan	Approach, initial priorities, dependencies and mobilisation timetable.
Integrated recovery delivery plan	Activities, milestones, owners, dependencies and critical path.
Resource deployment plan	Roles, personnel, level of effort and deployment by phase or workstream.
Recovery governance framework	Reporting, escalation, assurance and decision-making arrangements.
Audit readiness framework and assessment	Readiness criteria, current position, gaps, actions and evidence requirements.
Annual accounts support plan	Detailed support arrangements for the relevant accounts and audit cycles.
/Monthly progress report	Progress against milestones, resource use, risks, issues, decisions and forecast activity.
Knowledge transfer plan and log	Planned and completed capability-building activity and evidence of transfer.

Deliverable	Minimum requirement
Exit and transition plan	Handover arrangements, documentation, residual risks and outstanding actions.
Final lessons learned and sustainability report	Lessons, embedded improvements, capability position and recommendations for sustaining compliance.

5. Supplier Response Requirements

Bidders must provide a clear response covering the following matters:

- Understanding of the Council's recovery challenge and the required outcomes.
- Proposed recovery delivery methodology, mobilisation approach and programme governance.
- Proposed resource model, including named key personnel where available or indicative key roles where appointments are subject to award.
- Relevant qualifications, experience and responsibilities of proposed personnel.
- Expected level of effort by role and anticipated deployment across the commission.
- Approach to technical accounting, financial statements support and audit readiness.
- Approach to risk, dependency and issue management.
- Approach to knowledge transfer, capability building, exit and sustainability.
- Assumptions, dependencies and Council inputs underpinning the proposal.
- Separate description and pricing of any optional improvement or transformation activity.

5.1 Comparable Experience Quality Question

Describe a comparable local authority finance recovery or audit readiness assignment undertaken within the last five years. Detail:

- the issues encountered;
- the recovery approach adopted;
- the outcomes achieved, including relevant measurable improvements;
- how knowledge and capability were transferred back into the client organisation; and
- how that experience would inform delivery for Clackmannanshire Council.

6. Pricing Requirements

To support transparent and comparable evaluation, bidders must submit a completed pricing schedule that clearly distinguishes the mandatory core requirement from optional activity.

- Total evaluated price for the Core Requirement.
- Fixed-price elements and the outputs included within each fixed price.

- Day rates by role for any additional support, with any applicable framework discounts clearly shown.
- Expected number of days or other level of effort by role.
- Separate pricing for each optional improvement or transformation activity.
- Any technology, licensing, implementation or third-party costs.
- All assumptions, exclusions, dependencies and expenses underpinning the price.
- The proposed pricing model, identified as fixed price, day-rate based or hybrid.

Where a hybrid model is proposed, bidders must clearly identify the fixed-price deliverables and the circumstances in which additional day-rate support may be used. No optional costs will be included in the evaluated core price unless expressly stated in the invitation to tender.

7. Contract Duration and Mobilisation

The anticipated initial contract period is August/September 2026 to March 2027. Bidders must set out their earliest mobilisation position and the resources available to commence delivery. Any support required beyond the initial period, including support relevant to the 2025/26 accounts milestone, must be clearly identified, scoped and priced in accordance with the framework and the Council's contractual arrangements.

8. Evaluation Framework

The evaluation will focus on the supplier's ability to deliver the recovery outcomes, provide credible and sufficient resources, demonstrate relevant local authority recovery experience and build sustainable internal capability.

Criterion	Weight	Evaluation focus
Understanding of the Recovery Challenge	15%	Understanding of the Council's circumstances, recovery plan, statutory reporting challenge, dependencies and risks.
Recovery Delivery Methodology	20%	Credibility of the approach, mobilisation, programme governance, milestone delivery, risk management and audit readiness.
Quality of Proposed Resources	20%	Suitability, availability, experience, qualifications, deployment and clarity of responsibilities.
Experience of Local Authority Audit Recovery	15%	Evidence of a comparable assignment and outcomes achieved, including application of learning to this commission.
Knowledge Transfer and Sustainability	10%	Capability building, documentation, joint working, exit planning and reduction of future external dependency.

Criterion	Weight	Evaluation focus
Price	20%	Evaluated core price, transparency, assumptions, level of effort and overall value for money.

Optional transformation or technology proposals will not receive a separate innovation score. Where relevant, they may be considered only as optional enhancements and must not distort evaluation of the core recovery requirement.

8.1 Overarching Evaluation Question

How will your proposal increase confidence that the Council can achieve the recovery milestones agreed with its external auditor, while building a sustainable and resilient finance function for the future?

9. Contract Management and Reporting

- The supplier will work under governance arrangements agreed at mobilisation.
- Progress will be reviewed against agreed milestones, deliverables, resource deployment, risks, issues and expenditure.
- Changes to scope, resources or price must be agreed through the Council's contract
- change arrangements before the related work is undertaken.
- The supplier must notify the Council promptly of any matter that may affect delivery of the recovery milestones.

10. Information Governance, Confidentiality and Data Protection

A data protection assessment will be completed before contract award to determine whether the successful supplier will have access to personal, confidential or sensitive information and whether any additional contractual provisions are required. Access must be limited to information that is necessary for delivery of the commission and managed in accordance with the Council's information governance and security requirements.

Appropriate confidentiality provisions will be included in the contract. Where the supplier will process personal data on behalf of the Council, the necessary data protection and data processing provisions must be agreed before processing begins. Bidders must identify any anticipated personal data processing, data access, hosting, system access, subcontracting or international data transfer associated with their proposal.

11. Sustainable Procurement and Community Benefits

Sustainable procurement considerations have been considered in developing this commission. Bidders should identify proportionate measures within their delivery model that support efficient use of resources, minimise unnecessary travel and avoid avoidable environmental impacts.

Community benefits have also been considered. Given the specialist nature, short duration and relatively low value of the commission, specific community benefit requirements are unlikely to be proportionate. No mandatory community benefit requirement is therefore proposed, although bidders may identify any relevant and proportionate added value within their response.

12. Council Reservations

- The Council may award the Core Requirement without commissioning any optional activity.
- The Council may commission optional activity in whole or in part, subject to affordability, value for money and the applicable framework and contractual arrangements.
- The Council may seek clarification of proposals, including resource assumptions, level of effort, deliverables and pricing.
- Any appointment will be subject to completion of the Council's required governance, procurement, legal, information governance and financial approvals.