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**Report to Audit and Scrutiny Committee**

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**Date of Meeting: Thursday 6<sup>th</sup> February 2025**

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**Subject: External Audit Recommendations: Progress Report**

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**Report by: Strategy and Performance Adviser**

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**1.0 Purpose**

- 1.1. The purpose of this report is to provide a six-monthly update on progress of new and ongoing improvement actions against recommendations made by external auditors from their review of Council's Financial Statements up to and including 2022/23 and from a Best Value themed audit 2022/23.

**2.0 Recommendations**

- 2.1. Committee is asked to note, comment on and challenge the report.

**3.0 Considerations**

- 3.1. The Council is externally audited by Deloitte LLP, appointed by the Controller of Audit. Deloitte LLP conducted an audit of the 2022/23 Financial Statements in accordance with the Code of Audit Practice approved by the Accounts Commission.
- 3.2. A report to Council on 29<sup>th</sup> August 2024 set out the findings arising from that work. It included five recommendations around financial sustainability and enhancing governance of the Audit and Scrutiny Committee. Of these recommendations two recommendations are complete and have been implemented fully, and three recommendations are ongoing and have been partially implemented.
- 3.3. External audit also followed-up on eight outstanding actions for recommendations made in previous audits of the Council's Financial Statements. Of these, five outstanding actions are now complete and implemented fully and three actions are ongoing and partially implemented.
- 3.4. Deloitte LLP also conducted a Best Value themed audit 2022/23 on leadership of the development of new local strategic priorities.
- 3.5. Of the two recommendations raised, one improvement actions is complete and has been implemented fully and the other is an ongoing action that is partially complete.

- 3.6. All external audit recommendations take the form of strategic continuous improvement actions. They form part of the Council's Best Value Improvement Action Plan and they are monitored as part of our Annual Governance arrangements in place.
- 3.7. Table A below provides a breakdown of the total number of improvement actions complete and ongoing for all new and ongoing recommendations from external auditors from their review of the Council's Financial Statements up to and including 2022/23 and from a Best Value themed audit 2022/23. Overall progress during 2024/25 shows that 54% of external audit improvement actions are complete and fully implemented with 46% ongoing and partially implemented.

	NUMBER OF RECOMMENDATIONS FROM EXTERNAL AUDIT OF FINANCIAL STATEMENTS PRIOR TO 2022/23	NUMBER OF RECOMMENDATIONS FROM EXTERNAL AUDIT OF FINANCIAL STATEMENTS 2022/23	NUMBER OF RECOMMENDATIONS FROM BEST VALUE THEMED AUDIT 2022/23	TOTAL
COMPLETE	5	2	1	8 (54%)
ONGOING	3	3	1	7 (46%)
TOTAL	8	5	2	15 (100%)

**Table A. Progress Summary of Recommendations Related to External Audit of 2022/23 Financial Statements and a Best Value Themed External Audit 2022/23.**

- 3.8. The ongoing actions include some significant and complex pieces of work that depend upon internal resource with the necessary expertise, skills or capacity, which continues to be under high demand. This means that the work can take lengthier periods of time to progress or deliver, as might have been anticipated, particularly where the actions also require considered stakeholder consultation, adherence to formal approval processes or are dependent upon completion and approval of other high priority activities.
- 3.9. Similarly, some of the ongoing actions are dependent upon new resource, skills or capacity being recruited, for which progress in key areas such as Finance and Revenues and Legal and Governance is now progressing.
- 3.10. Appendix A provides further detail and commentary against all individual recommendations at the 2024/25 half-year mark.
- 3.11. The Annual Governance assurance process is ongoing, with key improvement actions identified through internal audit, external audit and through the Annual Governance Statement process being progressed and led by Senior Managers and Leaders. At the time of writing the draft 2023/24 Financial Statement of Accounts has been submitted to Deloitte LLP. A further progress report, including any new actions identified from the audit of the 23/24 financial statement and the Best Value thematic review around Workforce Planning, will come to a future Audit and Scrutiny Committee meeting.

## 4.0 Sustainability Implications

4.1. There are no sustainability implications.

## 5.0 Resource Implications

### 5.1. Financial Details

5.2. There are no financial implications with this proposal. No ☒

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

5.4. Staffing

5.5. Staff involved will represent a cross section of all Council portfolios. Yes ☒

## 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** (Please double click on the check box ☒)

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 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☐ No ☒

## 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 A Progress Against Recommendations Related to External Audit of Financial Statements up to and including 2022/23 and a Best Value Themed External Audit 2022/23.

## 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 ☐

- Clackmannanshire Council, 29<sup>th</sup> August 2024: Annual report to those charged with Governance and the Controller of Audit for Financial Year Ended 2022/23 prepared by Chief Finance Officer.  
(<https://www.clacks.gov.uk/document/meeting/1/1247/7959.pdf>)

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Fi Grinly	Strategy & Performance Advisor	2391

### Approved by

NAME	DESIGNATION	SIGNATURE
Chris Alliston	Strategic Director, Partnerships & Performance	

### Progress Against Recommendations Related to External Audit of Financial Statements up to and including 2022/23 and a Best Value Themed External Audit 2022/23.

The following recommendations arose from external audits of the Council's Financial Statements prior to 2022/23:

<b>Recommendation: 1. Finance team capacity</b>  <b>The council should ensure that the finance team is adequately resourced to prepare a comprehensive set of unaudited accounts and provide the necessary working papers in a timely manner to support the audit process.</b>	
Management Response:	Finance management continue to review team capacity and undertake recruitment of permanent staff. Due to a tight labour market, recruiting to vacancies continues to be challenging and a redesign of the Service is underway including the opportunity to offer apprenticeships and/or trainee positions to support future succession planning.
Responsible Person:	Chief Finance Officer
Target Date:	Ongoing
2024/25 Half-Yearly Update	<b>Ongoing and partially complete</b> - The Chief Accountant and permanent capital accountant are now in post. The first phase of the Finance restructure has been approved by Senior Leadership Group and is progressing though Trade Unions consultation. The implementation of the Revenues structure is complete and remaining posts have been recruited to.

<b>Recommendation: 2. Bank reconciliations</b>  <b>The council must comply with its own financial regulations and prepare bank reconciliations at least once a month.</b>	
Management Response:	Bank reconciliations were completed in a timely manner through the year, however, work to resolve reconciling items led to delays in finalising the reconciliations and passing the information over to External Audit. Regular reviews have been scheduled to ensure progress through the year.
Responsible Person:	Chief Finance Officer
Target Date:	31 <sup>st</sup> March 2023

2024/25 Half-Yearly Update	<b>Complete and fully implemented</b> - Bank reconciliations are undertaken monthly. Reconciliations are reviewed regularly by the Corporate Accountant and progress is reviewed in weekly Treasury Team meetings.
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Recommendation:	<b>3. Finance staff will continue to liaise with internal officers and external valuers to ensure financial statements accurately reflect the non- current asset position.</b>
Management Response:	Finance staff will continue to liaise with internal officers and external valuers to ensure financial statements accurately reflect the non- current asset position.
Responsible Person:	Chief Finance Officer
Target Date:	30 September 2023
2024/25 Half-Yearly Update	<b>Complete and fully implemented</b> - Finance worked with officers in Place to identify assets for revaluation which were then carried out by external valuers.

Recommendation:	<b>4. Management commentary and annual governance statement</b>  <b>The council should review the project plan for the preparation of the unaudited annual governance statement to ensure it is prepared to the appropriate standard and fully supported by audit evidence.</b>
Management Response:	A number of enhancements were made to the Management Commentary and Annual Governance Statement during the audit period. Officers will review both these areas for the 2022/23 accounts.
Responsible Person:	Chief Finance Officer and Monitoring Officer
Target Date:	30 September 2023
2024/25 Half-Yearly Update	<b>Complete and fully implemented</b> - the officer will continue to monitor this into 2023/24.

Recommendation:	<b>5. Financial systems of internal control and key supporting documents</b>  <b>The council must review the control environment and reinstate critical key controls such as timely reconciliations. This should be supported by revised financial management and governance documents that clearly define expectations and responsibilities.</b>
Management Response:	As reported to Council on 6th October 2022, a working group consisting of Officers and Elected Members has been set up to consider and review both the Scheme of Delegation & Standing Orders. These will be presented to Council for approval following completion.
Responsible Person:	Chief Finance Officer and Monitoring Officer
Target Date:	2023/24
2024/25 Half-Yearly Update	<p><b>Ongoing and partially implemented</b> - The Financial Regulations were reviewed and approved by Council in June 2023. Reconciliations were completed on a timely basis during 2023/24.</p> <p>Action is subject to completion of the Integration Scheme for the Clackmannanshire and Stirling Integrated Joint Board, with final sessions to take place with Senior Leadership Group then Elected Member briefings will follow. It is anticipated that this work will be completed the end of Q4 of 24/25. Subject to approval of the Integration Scheme then further work can continue on the review of the Council's Scheme of Delegation.</p> <p>Some initial work has commenced on the review of Standing Orders.</p>

Recommendation:	<b>6. Prevention and detection of fraud and error.</b>  <b>The council should review and update its antifraud arrangements and policies and ensure these are clearly communicated to staff.</b>
Management Response:	An annual fraud and corruption training plan will be developed for all staff and the profile of the whistleblowing policy raised through a programme of internal communication.
Responsible Person:	Senior Manager, Legal & Governance
Target Date:	September 2023  Revised target date: 31 March 2024

2024/25 Half-Yearly Update	<b>Ongoing and partially implemented</b> - the revised Whistleblowing policy/procedure was approved by Council in October 2023 and cascaded to staff. Ongoing communications include an article on CONNECT staff internet in August 2024 and a forthcoming article in CONNECTED staff newsletter for Spring 2025. We are also looking to put in place training in combating fraud and corruption for Directors, Senior Managers and other key officers during 2025/26.
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Recommendation:	<b>7. Audit and scrutiny committee</b>  <b>Officers should keep the revised Audit and Scrutiny committee arrangements under review to ensure there is sufficient time for members to review papers and provide effective scrutiny and challenge.</b>
Management Response:	Officers will monitor this during the year.
Responsible Person:	Extended Senior Leadership Group
Target Date:	Ongoing
2024/25 Half-Yearly Update	<b>Complete and fully implemented</b> - the Audit and Scrutiny Committee undertook a review of its plan between August and October, with the final plan being agreed on 26 October. This will be kept under ongoing review.

Recommendation:	<b>8. Long-term planning (from 2020/21 Action Plan)</b>  <b>Long-term planning arrangements, including a range of scenarios, should continue to be developed to support the council in recovering from the Covid-19 pandemic and in transforming services.</b>  <b>2021/22 update: Progressing – the council has a clear focus on continuing to develop its longer-term planning.</b>
Management Response:	The council is reviewing its long-term plan through its Be the Future (BtF) programme including plans for transforming services and adapting to the changed environment. Regular updates continue to be provided to Council on the BtF programme.
Responsible Person:	Chief Executive & Director of Transformation
Target Date:	Ongoing
2024/25 Half-Yearly Update	<b>Complete and fully implemented</b> - Covid recovery is now built into business as usual. Chief Executive continues to provide regular updates to Council on the progress of the BtF



	programme and the general transformation of service to adapt to the current and future anticipated environment.
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The following recommendations arose from an external audit of the Council's Financial Statements 2022/23:

Recommendation:	<b>1. Financial sustainability – budget setting</b>  <b>The Council should set out within its budget papers any other specific risks that impact on the achievement of a balanced financial position and what mitigating action the Council has planned to manage these risks.</b>
Management Response:	Accepted. Budget papers will continue to include comment around the ability to meet a balanced budget. Budget strategy report includes in year risks such as Pay Award and mitigating actions being taken - essential spend, recruitment to critical posts. Regular out turn reporting is presented to Audit and Scrutiny which includes comment in relation to under/over spends. Any significant forecasted overspend must have a management action plan developed to mitigate the overspend which is then brought back to committee. Other specific financial risks and impacts will be included as they arise.
Responsible Person:	Chief Finance Officer / Senior Manager, Finance & Revenues
Target Date:	Ongoing reporting
2024/25 Half-Yearly Update	<b>Ongoing and partially implemented</b> - this is being considered for inclusion in the 2025/26 Budget Report and future budget strategy reports.

Recommendation:	<b>2. Financial sustainability – reserves</b>  <b>The finance monitoring reports should be expanded to give members an update on progress with the use of the earmarked reserves to ensure that they are being actively monitored and being applied for the purposes intended.</b>
Management Response:	Accepted. We will look to include a specific section that provides a detailed breakdown of earmarked reserves opening balance, used in year to date and the closing balance. This will ensure that members are fully informed about the status of these reserves and can scrutinise the use of the reserves during the year.
Responsible Person:	Chief Finance Officer / Senior Manager, Finance & Revenues
Target Date:	October 2024 (June outturn report 2024/25 and Ongoing reporting)

2024/25 Half-Yearly Update	<b>Complete and fully implemented</b> - this information was included within the Quarter 1 and 2 outturn reports for 2024/25 and will continue to be included in future outturn reports.
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Recommendation:	<b>3. Financial sustainability</b>  <b>A Medium-Term Financial Strategy be developed, with clear actions on how financial sustainability is to be achieved. This should follow Audit Scotland's report in June 2014 Scotland's public finances – A followup audit: Progress in meeting the challenges (audit-scotland.gov.uk) as a reference.</b>
Management Response:	The Budget strategy is set annually outlining the budget approach for the year to close the gap. This is in line with the current 1-year settlement of Local Government funding which makes up the majority of the Councils income. The gap for the next 3 years is also included in the strategy with assumptions on variable elements. Savings and pressures are prepared over a multi-year period to reduce the gap in future years as well as the forthcoming year. We will consider incorporating the recommendations of Audit Scotland's report into future budget strategy reports.
Responsible Person:	Chief Finance Officer / Senior Manager, Finance & Revenues
Target Date:	March 2025
2024/25 Half-Yearly Update	<b>Ongoing and partially implemented</b> - a medium-term Financial Strategy is being developed.

Recommendation:	<b>4. Financial sustainability - transformation</b>  <b>More work is required to build the detail behind each project and fully align this to the development of a medium-term financial strategy by (AGS 023 018):</b>  <b>a) Adding greater detail about individual projects;</b>  <b>b) Setting clear timelines for each project;</b>  <b>c) Assess the resources and support required to deliver these projects (taking into account the resources that are already identified); and</b>  <b>d) Developing a benefits realisation tracker to assess whether the Council has achieved its aims.</b>
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Management Response:	<p>Accepted. Project details are now captured on a standard template which includes timelines, project budgets, key risks/issues and interdependencies and transformation.</p> <p>Resource requirements are also reviewed by the project lead sponsor. These updates link back to the 10 agreed corporate priorities and are reported to the Strategic Oversight Group and the Be the Future Board at each meeting.</p> <p>A benefits realisation tracker is also being developed which will be applied to each project.</p> <p>New Business cases will also be reviewed to ensure they capture relevant information going forward.</p>
Responsible Person:	Senior Manager, Capital and Transformation
Target Date:	December 2024
2024/25 Half-Yearly Update	<p><b>Ongoing and partially implemented –</b></p> <p>a, b and c: Project details are now captured on a standard template which includes timelines, project budgets, key risks/issues and interdependencies and transformation. This is working well and gives officers and Elected Members a clear picture of the status of each project. These updates link back to the agreed corporate priorities and are reported to the Strategic Oversight Group and Be the Future Board.</p> <p>d) Benefits Realisation Plan and framework for reporting were approved at 16<sup>th</sup> May 24 Council meeting. Key metrics for each project were agreed and baseline recorded.</p>

Recommendation: **5. Governance – Audit and Scrutiny Committee (ASC)**

**The ASC could be enhanced by:**

**a) allocating provisional times for each item on the agenda to help manage the meetings within the set timeline.**

**b) formalising the arrangement for substitute members with specific expertise within the Committee's Terms of Reference.**

**c) receiving regular updates from management on progress with the implementation of internal and external audit recommendations.**

Management Response:	<p>a) Accepted. This will be discussed with the chair, with implementation.</p> <p>b) Accepted. This will be discussed with the chair.</p> <p>c) Accepted but it is already intended within the current forward plan. An internal audit update went to committee in August 2023, with an undertaking to provide 6 monthly updates thereafter. The external audit reports were intended to be contained in the six monthly AGS progress report. I accept this need to be clearer.</p>
Responsible Person:	Strategic Director, Partnerships and Performance
Target Date:	<p>a) 31 March 2024</p> <p>b) 31 August 2024</p> <p>c) 31 March 2024</p>
2024/25 Half-Yearly Update	<p><b>a) Complete and fully implemented</b> - following the annual review process all Committee members now attend the pre agenda meeting along with officers, this provides the opportunity to have high level overview of papers, and outline areas which members will focus on at Committee to allow officers to have sufficient information to respond fully. Assigning timings to agenda items for the A&amp;S could stifle questions and debate. The Chair is effective in managing the agenda and the meeting.</p> <p><b>b) Complete and fully implemented</b> - the former Strategic Director undertook work at the request of Committee regarding co-opting of members onto Committee. At the paper tabled in Dec 2023 it was noted. "When the Committee considered its Annual Report on 26 October 2023, it remitted a number of actions to the Strategic Director, Partnership and Performance that were to be further progressed and reported back in December 2023. These were: 3.1.1. Seek Council approval of the Committee's Annual Report at the next available meeting.3.1.2. Consider arrangements for co-opting independent members on to the Audit &amp; Scrutiny Committee; 3.1.3. Draft a training and development programme for the Committee based on a skills audit undertaken in October 2023; and 3.3. Initial research has been undertaken on the action outlined at 3.1.2. CIPFA recommend at least two co-opted independent members. Having looked at a sample of Scottish councils the membership of most is similar in size and arrangements to Clackmannanshire's Audit &amp; Scrutiny Committee. That includes for example, having a chair from the main opposition independent of the prevailing administration group. There appears to be no significant</p>

	<p>shift elsewhere to co-opting independent expertise from out with the pool of elected members...” Committee noted and agreed the paper. Where members of Committee are unable to attend substitutes do attend where possible given the size of the Council. This is evident from the recording attendees held by Committee Services.</p> <p><b>c) Complete and fully implemented</b> - regular reporting now takes place in relation to outstanding internal audit actions. External Audit recommendations are now also reported to Committee with the first half yearly report provided to Committee in Feb 2025.</p>
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The following recommendations arose from external audits of the Council’s Financial Statements prior to 2022/23:

Recommendation:	<p><b>1. Agreement of priorities</b></p> <p>The Council’s priorities for 2023/24 were not agreed until October 2023, more than halfway through the year.</p> <p>Risk – Insufficient time to implement any changes into Business Plans for the year.</p> <p>The Council should ensure that the priorities are agreed in advance of the start of the year to ensure any changes can be built into Business Plans.</p>
Management Response:	This has been updated in the revised timeline, with the 24/25 performance indicators being agreed as part of the February 2024 budget.
Responsible Person:	Strategic Director, Partnership & Performance
Target Date:	Completed in February 2024
2024/25 Half-Yearly Update	<b>Complete and fully implemented.</b>

Recommendation:	<p><b>2. Elected members</b></p> <p><b>Skills analysis and self-evaluation process has not been completed (with the exception of the ASC members) and personal development plans are not in place.</b></p> <p><b>Risk – elected members do not have the skills and knowledge to perform their role effectively</b></p> <p><b>A skills analysis and self-evaluation process should be carried out to assess the skills for each elected member. Personal development plans should then be developed and tailored to individual members' needs.</b></p>
Management Response:	A programme of training was developed for members as part of their induction programme, however individual training needs analysis will now be offered to elected members to identify any relevant training needs.
Responsible Person:	Senior Manager Legal and Governance / Monitoring Officer.
Target Date:	31 December 2024
2024/25 Half-Yearly Update	<p><b>Ongoing and partially implemented</b> - training for elected members is a continual professional requirement through their term as a local councillor. A programme of training was undertaken after the 2022 local government elections and further round of training is being reviewed by Senior Manager of Legal &amp; Governance and Senior Manager of HR and will be rolled out in due course.</p> <p>The Council has recently engaged with the Improvement Service to undertake a Political Skills Assessment (PSA) for Elected Members. The aim of this work is to understand the skills, and development requirements of Members, with the view to being able to offer more tailored learning interventions for those who engage with the process. The PSA process was launched in December 2024, with a view to establishing who wishes to undertake the process by the end of January 2025. After this point meetings will be scheduled with Elected Members who want to engage, with training and skills development requirements identified and collated as part of the 2025/26 training needs analysis process (due to conclude in April 2025).</p>