
Report to: Audit & Scrutiny Committee

Date of Meeting: 29 October 2026

Subject: 2024/25 External Audit Planning Report

Report by: Chief Finance Officer

1.0 Purpose

- 1.1 This report presents the External Audit Planning Report for the 2024/25 audit, attached at Appendix A. The report, prepared by the Council's external auditor, Deloitte LLP, sets out the scope and timetable for the audit, the significant audit risks and other areas of audit focus, together with the planned wider-scope and Best Value work.

2.0 Recommendations

Committee is asked to:

- 2.1. consider and note the External Audit Planning Report for the 2024/25 audit, attached at Appendix A;
- 2.2. note the significant audit risks, the other areas of audit focus and wider scope risks identified by the external auditor, and
- 2.3. note the planned timetable for completion of the 2024/25 audit and presentation of the Auditor's Annual Report to Council in March 2027.

3.0 Considerations

- 3.1 The Council is required to prepare annual accounts in accordance with proper accounting practices. These are principally set out in the Code of Practice on Local Authority Accounting in the United Kingdom, prepared by the CIPFA/LASAAC Local Authority Accounting Code Board.
- 3.2 The Local Authority Accounts (Scotland) Regulations 2014 require the Council's proper officer responsible for financial administration to prepare the annual accounts as soon as practicable after the end of each financial year and to submit them for audit.
- 3.3 The statutory timetable requires unaudited annual accounts to be submitted for audit by 30 June and the audited accounts to be approved by 30 September. The Council has not met these timescales for the 2024/25 accounts. The Accounts Commission issued a formal Section 102 report in July 2026 following

delays in finalising the Council's annual accounts and required the Council to develop a robust and resourced recovery plan, working with external audit.

- 3.4 A recovery plan and accelerated audit timetable have been developed, working with external audit. The Council approved additional resource of £0.5m in September 2026 to support delivery of the recovery plan. The agreed timetable provides for the 2024/25 audit to be completed in March 2027. Progress will continue to be monitored through regular engagement with external audit and reported to elected members.

4.0 External Audit Plan

- 4.1. Deloitte LLP was appointed by the Accounts Commission as the Council's external auditor for the five-year appointment period commencing in 2022/23. The audit of the 2024/25 annual accounts is the third year of that appointment. In light of anticipated local government reform, the Accounts Commission has extended the existing external audit appointments for a further two years, rather than proceeding with a new procurement exercise at the end of the current appointment period. Deloitte LLP will therefore remain the Council's external auditor until 2028/29.
- 4.2. The External Audit Planning Report sets out the scope and timing of the 2024/25 audit. Deloitte LLP has identified three significant audit risks relating to management override of controls, completeness of accrued expenditure and property valuations. IFRS 16 and the Local Government Pension Scheme are identified as other areas of audit focus. The plan also sets out the auditor's wider-scope risk assessment covering financial management, financial sustainability, vision, leadership and governance, and use of resources to improve outcomes. Reflecting the delays in preparing the annual accounts and the associated Section 102 report, Deloitte LLP has increased the overall audit engagement risk rating from 'normal' to 'greater than normal'. The auditor's risk assessment is an ongoing process and may be updated as the audit progresses.
- 4.3. The plan sets out an expected fee of £257,970 for the 2024/25 audit, as communicated by Audit Scotland. Deloitte LLP has been asked to advise the Council as soon as possible of any potential additional fees so that these can be factored into our financial planning.

5.0 Sustainability Implications

- 5.1 Not applicable

6.0 Resource Implications

6.1 Financial Details

- 6.2 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 ☒

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

6.4 *Staffing*

7.0 Exempt Reports

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

8.0 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 ☒

9.0 Impact Assessments

9.1 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 ☒

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

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

10.0 Legality

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

11.0 Appendices

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

Appendix A – External Audit Planning Report 2024/25

12.0 Background Papers

- 12.1 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)

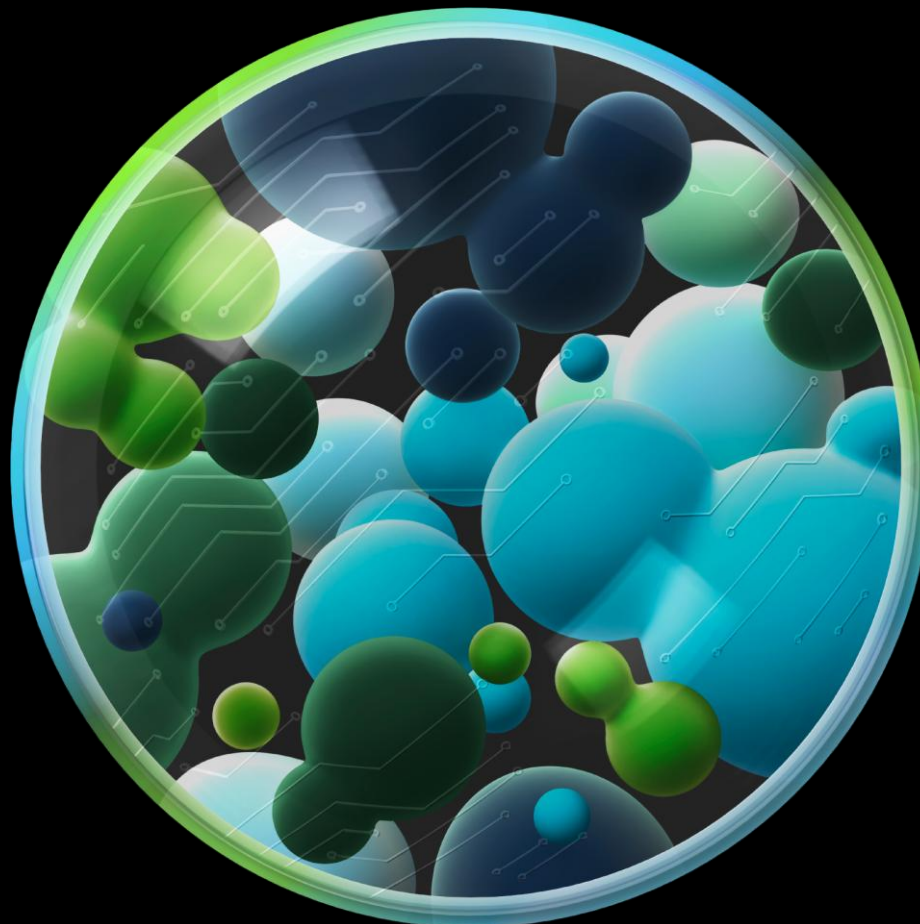
Yes ☐ (please list the documents below) No ☒

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Lindsay Sim	Chief Finance Officer	2022

Approved by

NAME	DESIGNATION	SIGNATURE
Chris Alliston	Head of Corporate Services	



Clackmannanshire Council

External Audit planning report to the Audit and Scrutiny Committee on the 2024/25 audit

Issued on 8 October 2026

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Executive summary

We have the pleasure of presenting our planning report to the Audit and Scrutiny Committee (“the Committee”) for the year ended 31 March 2025. This report contains our view as to the significant audit risks Clackmannanshire Council faces, as well as the planned areas of audit focus for the 2024/25 audit. We would like to thank the Council and finance team for their support and responsiveness throughout the planning phase of our audit. Your engagement leader is Stephen Craig.

Group materiality

We have set our group planning materiality for the 2024/25 audit at £3.51m. This is based on the 2023/24 signed financial statements. We will update our materiality assessment on receipt of the 2024/25 draft financial statements.

Further details in relation to our materiality assessment are included on page [5](#) of this report.

Engagement risk

We have increased the overall engagement risk rating from ‘normal’ risk to ‘greater than normal’ risk. This is in response to the delays in preparing the Statement of Accounts and the associated Section 102 Report issued to the Council. The change in risk increases the internal quality procedures we are required to complete.

Scope

Our scope has been established for the year. See details within [Appendix 1](#) of this report.

Status of the 2024/25 audit

At the time of issuing this report, we have completed our initial planning procedures for the 2024/25 audit. This report includes our planned materiality, identifying the significant risks and areas of audit focus for the 2024/25 audit, as well as details of our wider scope risk assessment and planned procedures.

Further detail on audit timeline is included on pages [4](#) and [8](#) of this report.

Significant Risks

We have formed a view as to the significant audit risks Clackmannanshire Council faces. This has been presented as a summary dashboard on page [6](#), with further detail included in [Appendix 2](#).

Our risk assessment is an ongoing process, and we will continue to consider any changes in the Council’s environment as they occur and how these impact our plan.

As part of our planning procedures for the 2024/25 audit, we have also identified two areas of audit focus. These are set out in a summary dashboard on page [7](#) of this report, with further detail included in [Appendix 3](#).

Wider Scope

Reflecting the fact that public money is involved, public sector audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks.

In carrying out our risk assessment, we have considered the arrangements in place for the wider scope areas as set out on page [9](#). As part of this work, we will also consider the arrangements in place to secure Best Value (BV).

Details of our wider scope risk assessment are included on page [9](#) to [11](#) of this report.

Executive summary (continued)

Audit Quality

Audit quality is our number one priority. We plan our audit to focus on audit quality, and we are proud of the continuing strength the results of our FRC inspections have shown, as detailed on pages [26 and 27](#).

Audit timeline

Set out below are details of the planned audit timeline for the 2024/25 audit. We have included a detailed timeline on page [8](#) of this report.

Section 102 report:

The Accounts Commission issued a formal Section 102 report on Clackmannanshire Council in July 2026, as a result of delays in finalising annual accounts.

One of the findings from this report was for the Council to develop a robust, resourced recovery plan, working with external audit, to be submitted to the Controller of Audit by the end of July 2026.

2024/25 timeline:

We have worked collaboratively with Council Officers to develop an agreed timetable for completion of the 2024/25 audit, with a planned sign off date of March 2027. This timetable includes the below key milestones:

- Presentation of Audit Planning Report to Audit and Scrutiny Committee on 29 October 2026;
- Submission of draft accounts and supporting workpapers to the audit team by 31 October 2026; and
- Presentation of Auditor's Annual Report to the Council in March 2027.

In September 2026, the Council approved £0.5m of additional resource to support the recovery plan.

Ongoing communication:

As the 2024/25 audit progresses, and in order to adhere to the jointly agreed timetable, regular communication between the audit team and Council is of increased significance.

We have established quarterly meetings with the Leader of the Council, Chief Executive and Chair of the Audit and Scrutiny Committee to ensure audit progress is monitored and reported on in a timely manner. This includes a standing agenda item to provide an external audit update at all Audit and Scrutiny and Council meetings going forward.

We will continue to consider the impact on audit timeline of any developments throughout the course of the audit, an example of which is included on page [18](#). Any developments that could impact the agreed timeline should be communicated by Officers to both the Council and Accounts Commission in a timely manner.

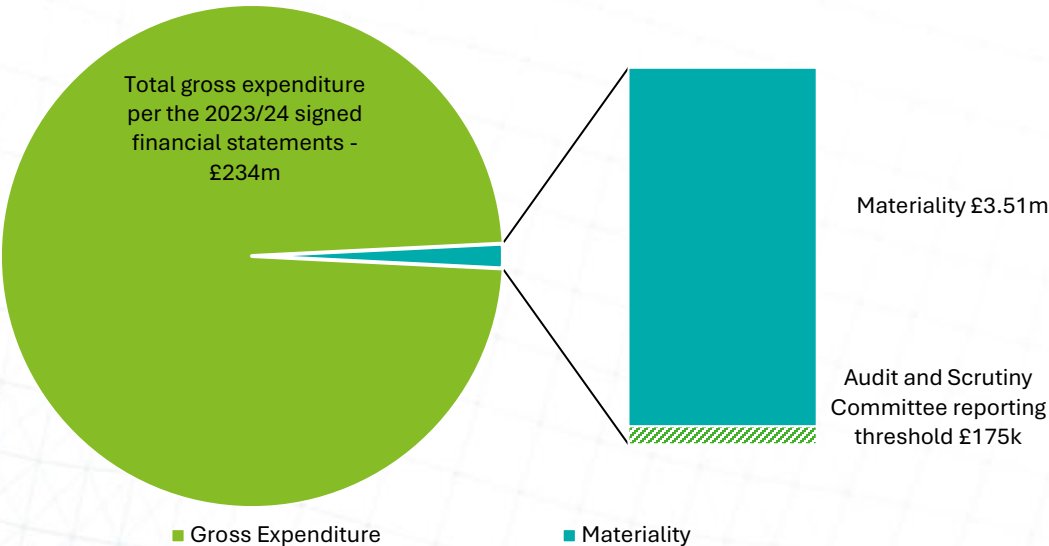
1. External audit plan 2025

1.1 Materiality



The audit engagement partner has determined group planning materiality as £3.51m (2023/24: £3.51m) based on professional judgement, the requirements of auditing standards and the financial measures most relevant to users of the financial statements.

We have used 1.5% of expenditure, in line with the prior year, as the benchmark for determining materiality. We will update the materiality calculation on receipt of 2024/25 draft financial statements, in October 2026.



Threshold for reporting misstatements:

We will report to you all misstatements identified above **£175k** (2023/24: £175k).

We set our reporting threshold at 5% of materiality.

Performance
Materiality
(PM)

65%
of
Materiality

This is set as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. Our performance materiality has been set at £2.28m (2023/24: £2.28m). We have set our performance materiality at 65% of materiality for the 2024/25 audit, in line with the approach taken in the prior year.

1. External audit plan 2025 (continued)

1.2 Significant risks



The identified significant risks for the current year audit are summarised below, with details of our planned audit response included within [Appendix 2](#). Risk assessment is a continuous process throughout the audit. We will revisit our risk assessment upon receipt of the draft financial statements in October 2026. We will keep the Audit and Scrutiny Committee informed of any changes to our risk assessment as the audit progresses.

 Significant risks to our audit		Significant risks are those associated with the most significant and judgmental areas of our audit, and which have the greatest potential to cause a material misstatement to the financial statements.		
Risk description	Fraud risk	Planned controls and audit approach		Level of judgement or estimation
Management override of controls				 H
Completeness of accrued expenditure				 H
Property Valuations				 H

 **Key**

 Assess design & implementation of relevant controls

 **S** Significant judgement

 **H** High degree of judgement

 **L** Low degree of judgement

1. External audit plan 2025 (continued)

1.3 Other areas of focus



We have summarised below the other areas which we plan to separately report on as part of our 2024/25 audit. Details of our planned audit response to each of these risks is included in [Appendix 3](#) of this report. Risk assessment is a continuous process throughout the audit. We will revisit our risk assessment upon receipt of the draft financial statements in October 2026. We will keep the Audit and Scrutiny Committee informed of any changes to our risk assessment as the audit progresses.

 Other areas of focus		Other areas (not identified as significant audit risks) where we expect to provide further information on our audit approach and any findings we identify in future reports to the Audit and Scrutiny Committee.	
Risk description		Planned involvement of specialists	Level of judgement or estimation
Implementation of IFRS 16		N/A	H
Accounting for the Local Government Pension Scheme (LGPS)		S	H

 **Key**

S

Involvement of Deloitte specialists

S

Significant judgement

H

High degree of judgement

L

Low degree of judgement

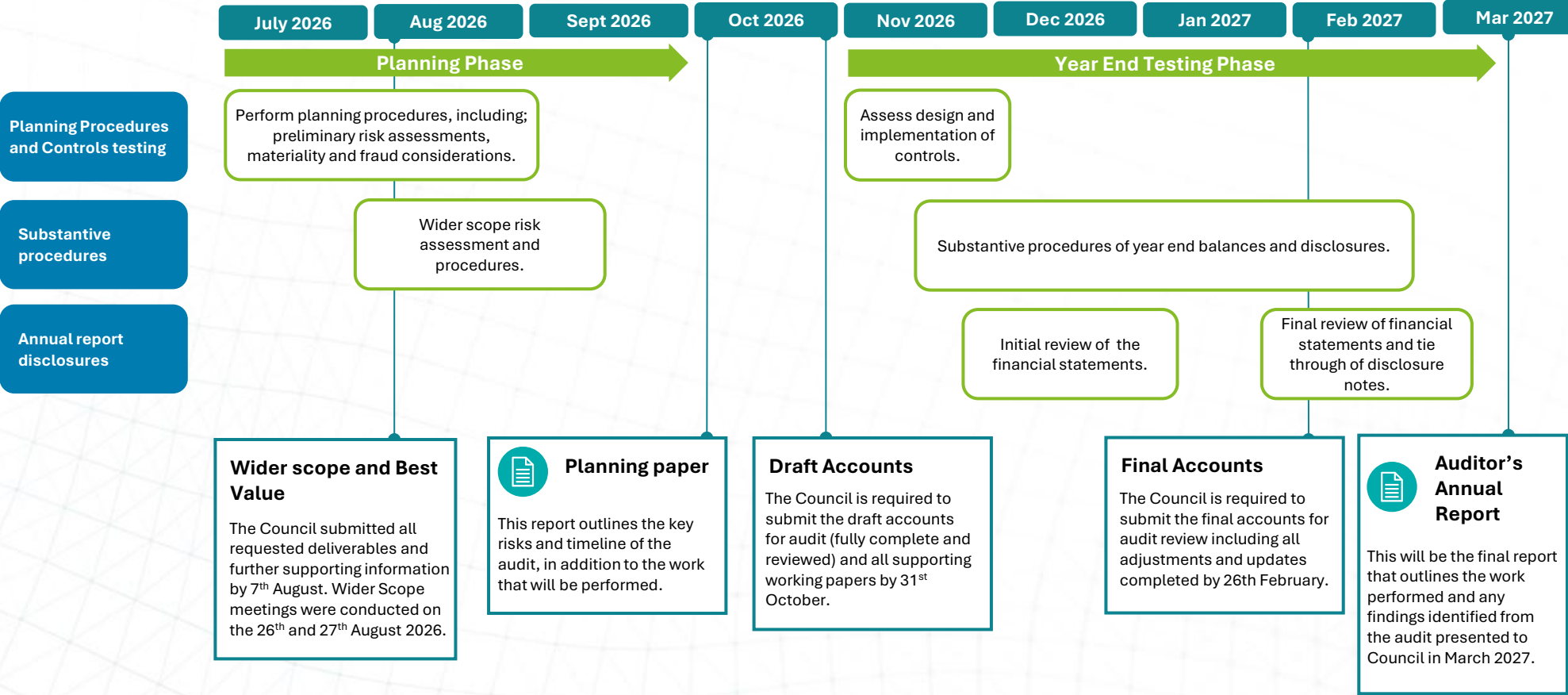
1. External audit plan 2025 (continued)

1.4. Audit timelines and Audit and Scrutiny Committee communication plan



The timeline and our planned reporting to the Council is summarised below, with detail on the timing of key audit activities. We plan to perform the audit work in two phases. The two phases provide us the ability to communicate regularly throughout the audit process.

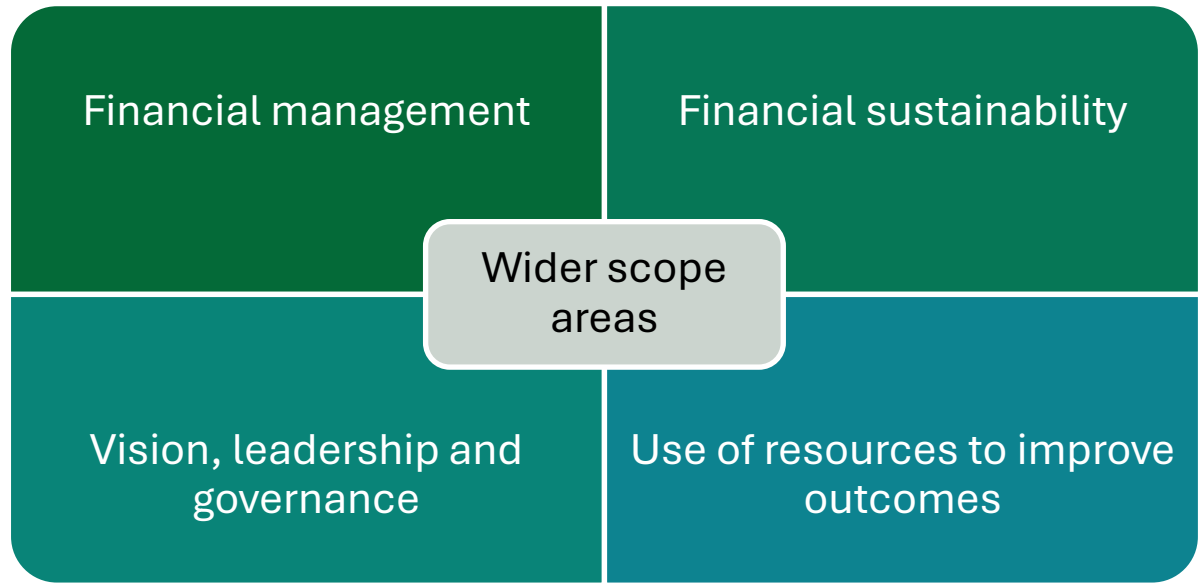
Audit timeline and our Audit and Scrutiny Committee reporting



2. Wider scope

2.1. Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In local government, public audit includes the audit of arrangements for, and performance of, the audited body’s duties for Best Value and community planning. In accordance with Audit Scotland planning guidance, we are required to undertaken this duty in a way that is proportionate to the size and type of body. Our work on the wider-scope areas will contribute to our consideration of how the Council demonstrates that it is meeting its Best Value responsibilities.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the significant risks and our planned response on the following pages.

2. Wider Scope (continued)

2.2 Wider Scope risk assessment

Area	Significant risks identified	Planned audit response
Financial management	There is an ongoing risk in relation to financial management and internal control due to capacity constraints within the Council. This increases the risk that sufficient controls are not in place to manage finances appropriately. This risk is based on the following factors: • A lack of finance team resources to deliver business as usual activity and recover compliance with statutory accounts deadlines. • The outturn report for the year ending 31 March 2026, presented to the Audit and Scrutiny Committee on 11 June 2026, is in draft format and will be subject to change following the drafting of the 2025/26 financial statements. Based on the agreed accelerated audit timeline, the audited accounts for 2025/26 will not be available until October 2027. • The findings issued by the Accounts Commission in their Section 102 report published in July 2026.	We will perform the following procedures to respond to this risk: • We will review the business processes and controls in place at the Council across its key systems relevant to our identified significant risks and assess whether the internal control arrangements have been designed and implemented appropriately. • We will follow up on the recommendations made in the prior year audit in relation to finance team capacity. • We will review the timeliness of monitoring reporting to elected members. • We will follow up on Accounts Commission findings issued as part of the s102 report issued in July 2026.
Financial sustainability	While the Council has historically achieved financial balance, there remains a risk that medium to long term planning arrangements are not robust enough to ensure that the Council can manage its finances sustainably and deliver services effectively. This risk is based on several factors, including: • The 2025/26 budget initially projected a £13.0m budget gap, prior to the Councils planned savings and use of reserves. We note that due to the timing of the 2024/25 audit, the wider scope work has been performed following the year ended 31 March 2026, and as such the 2025/26 outturn report is available. We note from our review of this outturn report that the shortfall prior to use of reserves as at year end was £7.1m. • The Council identified several savings proposals for 2025/26, amounting to £3.8m of proposed savings in the 25/26 budget. We note that the Council achieved £3.2m (84.7%) of the proposed £3.8m of savings.	We will perform the following procedures to respond to this risk: • We will assess the process to develop the 2025/26 and 2026/27 budgets and the impact on the medium and longer-term financial outlook. • We will also review the updated medium term financial plan (MTFP) and associated savings plans when prepared to assess whether there are robust plans in place to reduce the funding gap. This will include consideration of the progress with the Council's transformation programme.

2. Wider Scope (continued)

2.2 Wider Scope risk assessment (continued)

Area	Significant risks identified	Planned audit response
Vision, leadership and governance	If the Council's vision, leadership and governance arrangements do not operate cohesively, there is a risk that strategic priorities are not translated into clear actions and measurable outcomes, and that members cannot provide effective oversight or intervene promptly where delivery is off track. This could weaken accountability, impede organisational improvement and limit the Council's ability to demonstrate delivery of its strategic priorities and Best Value duties. We also note that the Accounts Commission issued a formal Section 102 report on Clackmannanshire Council in July 2026, which included a finding relating to Councillors exercising appropriate scrutiny, and providing appropriate challenge to Officers. We note that there is a risk that leadership within the Council do not implement the appropriate governance arrangements to adequately respond to the findings of the Section 102 report.	We will perform the following procedures to respond to this risk: • We will assess the governance arrangements in place at the Council to ensure there is appropriate scrutiny and challenge being made of Officers by Council leadership. • We will follow up on action taken by the Council to address the findings raised by the Accounts Commission in their Section 102 report. • We will also review the progress the Council is making in updating key strategic documents such as the workforce plan and their alignment with the transformation programme.
Area	Risk identified	Planned audit response
Use of resources to improve outcomes	The Council is required to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes. In our 2023/24 Auditor's Annual Report, we concluded that the Council had appropriate arrangements in place for Statutory Performance Information (SPI) compliance and public reporting.	We will perform the following procedures to respond to this risk: • We will review the performance reports presented at the Council to assess the extent to which they demonstrate a focus on continuous improvement. This will incorporate consideration of the effectiveness and appropriateness for preparing and publishing the Statutory Performance Information.

3. Responsibility statement



What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- our audit plan, including key audit judgements, planned scope, and wider scope risk assessment.

We will update you if there are any significant changes to the audit plan.



Our respective responsibilities

We are responsible for forming and expressing an opinion on financial statements prepared by management with oversight of those charged with governance. An audit does not relieve management or those charged with governance of their responsibilities. Auditing standards require us to only accept an audit engagement when the preconditions for an audit are present, including obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.



What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our reports should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.



Use of this report

This report has been prepared for the Audit and Scrutiny Committee on behalf of the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Deloitte LLP

London | 8 October 2026

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Appendix 1 - Scope of work and approach

We have the following key areas of responsibility under the Code of Audit Practice

Opinion on financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) (ISA (UK)) and the Code of Audit Practice issued by Audit Scotland. Clackmannanshire Council will prepare its accounts in accordance with applicable law and UK adopted International Financial Reporting Standards, as interpreted and adapted by the 2024/25 Code of Practice (CIPFA), and directions made thereunder by the Scottish Ministers.

Reporting on other requirements

Our responsibilities also include:

- to opine on the regularity of expenditure and income
- to opine on the audited parts of the directors' remuneration and fair pay disclosure
- under the Code of Audit Practice, to read the information included in the Performance Report and the Governance Statement, and opine whether they are consistent with the financial statements;
- in accordance with ISAs (UK) to read the other information accompanying the financial statements and report by exception any material misstatements we identify.

Our reporting will be addressed to Clackmannanshire Council, the Auditor General for Scotland, and the Scottish Parliament.

Wider-scope requirements, including considering and reporting on Best Value arrangements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in respect of:

- financial management
- financial sustainability
- vision, leadership and governance
- use of resources to improve outcomes.

As part of this wider-scope audit work, we also are required to consider whether there are appropriate organisation arrangements in place to secure Best Value in public services. Our approach to our wider-scope audit work is detailed in section 2 of this report.

Other reporting requirements

Anti-money laundering - We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies.

Fraud returns - We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies:

- involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control; or
- over £5,000.

Appendix 2

Significant risks and planned audit response



Management override of controls

In accordance with ISA (UK) 240, management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements are those that we have selected to be the significant audit risks – completeness of accrued expenditure and property valuations. These are inherently the areas in which management have the potential to use their judgement to influence the financial statements.



Risk identified and key judgements

This risk focuses on three key areas:

- Journal entry testing to identify any unusual journal postings which may be indicative of potential management override;
- Any transactions that are unusual or outside the normal course of business; and
- Management accounting estimates.



Deloitte planned response

- We will consider the overall control environment and 'tone at the top'.
- We will evaluate the design and implementation of controls relating to journals, accounting estimates and the review of the annual accounts.
- We will make inquiries of individuals involved in the financial reporting process about whether they are aware of any actual or alleged fraud, any inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- Using data analytic tools, we will test the appropriateness of journals posted throughout the period and adjustments made in the preparation of the financial statements. We will focus this testing based upon identification of items of potential audit interest.
- We will review accounting estimates for biases that could result in material misstatements due to fraud; and
- We will evaluate the business rationale for significant transactions that are outside the normal course of business, or that otherwise appear to be unusual.

Appendix 2 (continued)

Significant risks and planned audit response (continued)



Completeness of accrued expenditure

In accordance with Practice Note 10 (Audit of financial statements of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure.

This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition. We have therefore rebutted the risk of fraud in revenue recognition and have concluded that the fraud risk lies within the completeness of accrued expenditure.

The Council are operating in a financially challenged environment with increasing demand for services. Our judgement is that the significant risk at the Council relates to the completeness of accrued expenditure and the potential improper capitalisation of revenue expenditure. We will therefore target our audit work in these areas.



Risk identified and key judgements

This risk focuses on the following key areas:

- Expenditure incurred around the year end is incomplete.
- Potential for management to “push” expenditure into future periods by incorrectly recording accruals or including post year end payments, that relate to the current year, within the following period’s accounts.
- Potential for expenditure to be understated, through the inappropriate capitalisation of non-capital expenditure.



Deloitte planned response

- We will evaluate the design and implementation of controls over the year end accruals process.
- We will evaluate the design and implementation of controls over the recognition of capital additions.
- We will perform detailed testing on a sample of capital additions to assess whether the items are capital in nature.
- We will perform a detailed review of accruals year on year to identify any missing or incomplete accruals as at 31 March 2025.
- We will test a sample of post year end invoices and bank transactions in order to assess whether that the associated expenditure has been recognised in the correct financial year.

Appendix 2 (continued)

Significant risks and planned audit response (continued)



Valuations

The Council is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the assets, a depreciated replacement cost approach may be needed – which provides the current cost of replacing an asset with a modern equivalent asset.

The valuations are, by nature, significant estimates which are based on management and specialist assumptions which can be subject to material changes in value. The Council held £359.1m of property assets (land, buildings and council dwellings) as at 31 March 2024.

As part of our planning discussions with management ahead of the 2024/25 audit, it was noted that the Council had not yet procured a valuation specialist for the 2024/25 audit to provide a full revaluation of the Council's estate. At the end of July 2026, management have procured Graham and Sibbald to perform a valuation of the Council's estate as at 31 March 2025. We note that the valuation report is not expected to be shared with Council Officers until December 2026, potentially impacting the audit timeline covered on pages 4 and 8 of this report. It is important that the Council considers the timeframe required to review the revaluation report and reflect these valuations in the 2024/25 financial statements.



Deloitte planned response

- We will evaluate the design and implementation of key controls in place around the property valuation process, once performed by the Council in December 2026.
- We will engage our valuation specialists, Deloitte Real Estate Advisory, to review the assumptions and methodology applied by management for a sample of valuations.
- We will select a sample of assets and test the inputs to the valuations and the key asset information provided by the Council to the valuer back to supporting documentation.
- We will review the presentation and disclosure of the revaluation movements in the Annual Accounts to assess whether the movements have been correctly recognised in the revaluation reserve and Comprehensive Income and Expenditure Statement.
- We will review management's assessment to determine whether all assets that are required to be revalued in 2024/25 under the revaluation programme have been revalued in year.
- We will review any assets not subject to full revaluation in 2024/25 to assess whether the remaining asset base is not materially misstated.
- We will continue to monitor the impact of any delays in obtaining the required revaluation information on the agreed audit timeline.

Appendix 3

Other areas of focus and planned audit response



Implementation of IFRS 16

IFRS 16, Leases, is effective for local government bodies from 1 April 2024. The introduction of IFRS 16 could have a significant impact on the Balance Sheet and on recorded capital expenditure for the Council. IFRS 16 will also impact on the accounting for the Private Finance Initiatives (“PFI”) disclosed within the Council’s financial statements.

The Council disclosed in their 2023/24 Annual Accounts that the quantification of the expected impact of applying IFRS 16 in 2024/25 was currently impracticable. We note that ordinarily the transition position would be available to audit prior to the year-end and receiving the workings with the accounts increases the risk of delays to the audit timetable due to the complexity of the work performed. The conversion to IFRS 16 requires a considerable amount of time to obtain the information and calculate the asset and liability values.

IFRS 16 disclosures will need to be presented in the notes to the financial statements, including both qualitative and quantitative information, with prior year comparatives.

From our initial risk assessment, we have determined this to be an areas of focus for the 2024/25 audit. We will review our risk assessment upon receipt of the Council’s IFRS 16 assessment and 2024/25 draft financial statements.



Deloitte planned response

- We will request from management an accounting paper on the implementation of IFRS 16 (including the controls in place over reporting under the standard, and any additional judgements identified in transition and in-year application).
- We will perform completeness testing over the lease contracts register.
- We will evaluate the design and implementation of controls for ensuring the completeness of the disclosure and the valuation of the right of use asset and lease liability.
- We will select a sample of assets and agree the inputs into the IFRS 16 calculations to underlying lease agreements.
- We will test the adjustments arising from the implementation of IFRS 16 for PFIs.
- We will review the disclosures in the Annual Accounts to assess whether they meet the requirements of the CIPFA Code and IFRS 16.

Appendix 3 (continued)

Other areas of focus and planned audit response (Continued)



Local Government Pension Scheme

The LGPS pension balance is a material element of the Council's Balance Sheet. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore, there are financial and demographic assumptions used in the calculation of the Council's valuation - e.g. the discount rate, inflation rates, mortality rates.

These assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. There is a risk that the assumptions and methodology used in the valuation of the Council's LGPS obligation are not reasonable. This could have a material impact to the pension liability accounted for in the Statement of Accounts. The Falkirk Pension Fund, which Clackmannanshire Council is a member of, is in a deficit for the period and therefore the Council holds a pension liability of £(10.846)m. In the prior year the reverse was true, with the Council holding a pension asset of £15.339m. There is judgement required in determining the recognition of the asset/ liability under IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.



Deloitte planned response

- Agree the actuarial report for the Council produced by Hymans Robertson, the scheme actuary, to the Statement of Accounts pension disclosures.
- Engage the audit team of Falkirk Pension Fund to request the completion of audit procedures to obtain assurances over the information supplied to the actuary in relation to the Council.
- Assess the independence and expertise of the actuary supporting the basis of reliance upon their work.
- Engage our internal actuarial specialists to review and challenge the assumptions made by Hymans Robertson.
- Review and challenge the asset ceiling calculation and ensure this meets the requirements of IFRIC 14, in the prior period we considered, including consultations with specialists, the appropriateness of the pension being in a surplus position and whether the funding time horizon was appropriate. As part of our procedures for the current period, we will reassess these considerations;
- Assess the reasonableness of the Council's share of the total assets of the scheme by reference to the Pension Fund financial statements.
- Review the disclosures made in the Statement of Accounts against the requirement of the CIPFA Code.

Appendix 4

Independence and Fees



As part of our obligations under International Standards on Auditing (UK) , we are required to report to you on the matters listed below:

Independence matter	Description
Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Clackmannanshire Council and will reconfirm our independence and objectivity for the year ending 31 March 2025 in our final report to the Council.
Fees	Details of audit fee for the 2024/25 audit is detailed on page 22 of this report. We will assess the impact, if any, of additional incremental work required in relation to the completion of the 2024/25 audit and will report any proposed additional fees in our final report to the Council.
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed as necessary. We have not provided, nor do we plan to provide any non-audit services. We will reconfirm this to the Council in our final report.
Relationships	We have not identified any relationships with Clackmannanshire Council, its Elected Members or Senior Officers that we consider may reasonably be thought to impact on our objectivity and independence. We will reconfirm this in our final report to the Council.

Appendix 4 (continued)

Independence and Fees (continued)

Audit fees	Description
2024/25 Audit Fee	The expected fee for the 2024/25 audit, as communicated by Audit Scotland is analysed below:
	£
	Auditor remuneration 231,390
	Audit Scotland fixed charges:
	• Pooled costs 5,810 • Contribution to Performance Audit and Best Value (PABV) costs 50,780 • Sectoral cap adjustment (30,010)
	Total expected fee 257,970
	There are no non-audit fees.

Appendix 5

Our other responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in completeness of accrued expenditure and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgement, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.

Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Appendix 5 (continued)

Our other responsibilities explained (continued)

We will make the following inquiries, including of staff outside the finance function, regarding fraud and non-compliance with laws and regulations:

 Management and other personnel:	• Whether management has performed an assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments. • Whether management has a process for identifying and responding to risks of fraud, including those specific to the sector. • Whether management have communicated to those charged with governance regarding its processes for identifying and responding to the risks of fraud. • Whether management have communicated to employees regarding its views on business practices and ethical behaviour. • Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity. • Whether there have been any allegations of fraud raised by employees or other parties.
 Those charged with governance	How those charged with governance exercise oversight of management’s processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity. What are the views of those charged with governance on the most significant fraud risk factors affecting the entity.

Appendix 6

We will report on statutory information in your annual report

Your annual report contains detailed financial and non-financial information. This provides stakeholders with a holistic view of the performance of the Council and provides context for Clackmannanshire Council's financial results and position as set out in the financial statements. We set out on this page the work we will perform in respect of this information and the matters we will report.



Management Commentary

Our work includes:

- Reading the management commentary within the Annual Report and Accounts and considering whether the content complies with the applicable requirements of the Public Bodies (Scotland) Act 2014, The Local Authority Accounts (Scotland) Regulations 2014 and The Local Government in Scotland Act;
- Considering whether the information presented is consistent with the financial statements;
- Assessing whether, in light of our knowledge and understanding obtained during the audit, the management commentary section of the Annual Report contain any material misstatements.

In our audit report we will give positive statements regarding the preparation of the Annual Report in accordance with legal and regulatory requirements and consistency with the financial statements.

If we find material misstatements, we will require that these be corrected, otherwise we will have to report these.



Remuneration Report

We will audit the parts of the Remuneration Report that are subject to audit, and state in our audit report whether it has been properly prepared in accordance with the relevant CIPFA guidance.

We will specifically report if certain disclosures relating to remuneration, pension benefits, termination benefits or pay bandings have not been complied with.



Examples of matters that would cause us to report

- A material provision is discussed in the strategic report, but the figure is inconsistent with the financial statements.
- The Annual Governance Statement doesn't disclose significant control weaknesses identified in internal audit reviews.
- Risks to financial sustainability are not adequately disclosed in the Annual Report.
- Significant weaknesses in wider scope arrangements are not appropriately disclosed in the Annual Governance Statement.

Appendix 7

Audit quality and our system of quality management

Audit quality is at the heart of everything we do, and our system of quality management (SoQM) supports our execution of quality audits.

ISQM (UK) 1 sets out a firm’s responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

The effective ongoing operation of ISQM (UK) 1 has been and remains a key element of Deloitte’s global audit and assurance quality strategy and of the UK firm.

Deloitte UK performed its annual evaluation of its system of quality management as at 31 May 2026. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SoQM provides the firm with reasonable assurance that the objectives of the SoQM are being achieved as at 31 May 2026.

For further details surrounding the conclusion on the operating effectiveness of the firm’s SoQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [Transparency Report](#).



Appendix 8

FRC 2025/26 Annual Review of Audit Quality: Key matters relevant to audit quality

We are proud of the continuing strength shown by the results of our external inspections.

In July 2026, the Financial Reporting Council (FRC) issued their Annual Review of Audit Quality, which included an appendix for the six largest firms, including Deloitte, providing a summary of the findings of its Audit Quality Review (AQR) team for the 2025/26 cycle of reviews. We value the observations raised by both the FRC Supervision teams and the ICAEW Quality Assurance Department (QAD), both in identifying areas for improvement and also the ongoing focus on sharing good practice.

Results of our FRC inspections show that 90% (2024/25: 95%) of our public interest audits were rated as ‘good’ or ‘limited improvements required’ and that 90% (2024: 90%) of our audits reviewed by the ICAEW’s QAD were assessed as ‘good’ or ‘generally acceptable’.

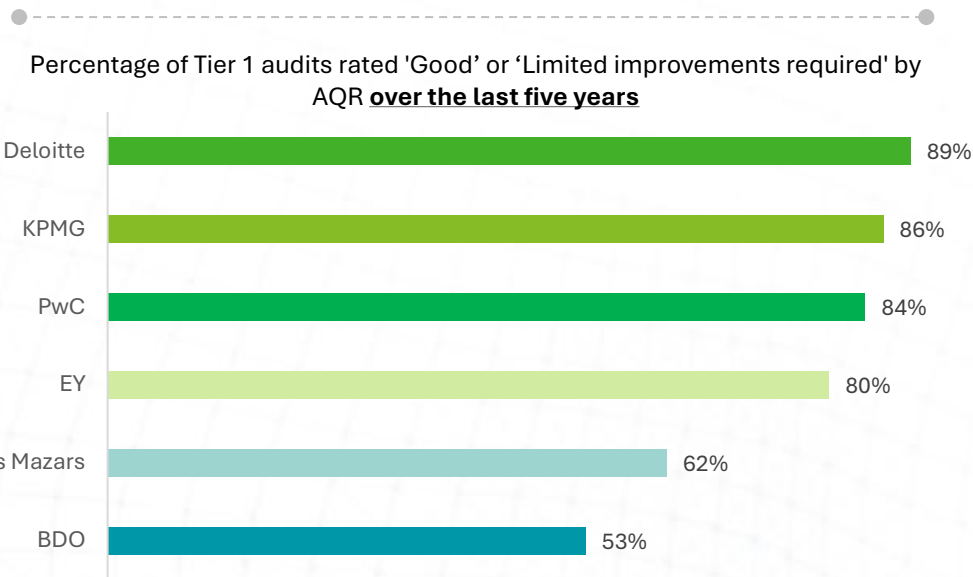
Over the last five years, our AQR results have been consistently high. This reflects our commitment to excellence, our mindset, behaviours, controls and processes. These are all critical to our achieving high-quality outcomes in the public interest.

Consistent with our culture of continuous improvement, we are not complacent and recognise there is always more we can do. We put a significant level of investment, resource and effort into taking real-time actions throughout the year to address findings and to enhance our system of quality management (SoQM).

Overall, we have noted one key finding theme arising from regulatory inspections related to impairment of non-current assets and have identified appropriate actions to address the root cause in our Single Quality Plan (SQP). We are pleased to see the positive impact of actions taken over the last 12 months to address certain findings raised by the FRC and their associated root causes.

We acknowledge and appreciate the extensive good practice observations articulated by the FRC and ICAEW particularly in respect of high-quality risk assessments supported by a deep understanding of audited entities’ businesses, effective challenge and corroboration of management’s judgements and innovative use of data analytics and analysis to support audit conclusions. These points evidence our commitment to audit quality, reflecting the strategic actions and investments we have made to ensure the high-quality execution of our audit work.

The AQR public report is available on the [FRC website](#).



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