



Clackmannanshire Council

Update report to the Audit and Scrutiny Committee, the Council and the Controller of Audit on the 2023/24 audit

Issued on 14 April 2026 for the meeting on the 23 April 2026

Contents

01 Final report

Partner Introduction [3](#)

Annual Accounts

Quality Indicators [8](#)

Our Audit Explained [10](#)

Significant Risks [11](#)

Other Areas of Audit Focus [16](#)

Your Control Environment and Findings [18](#)

Other Significant Findings [22](#)

Our Audit Report [23](#)

Your Annual Accounts [24](#)

Wider Scope Requirements [26](#)

Audit Quality and Our System of Quality management [55](#)

Purpose of Our Report and Responsibility Statement [56](#)

02 Appendices

Action Plan [58](#)

Audit Adjustments [68](#)

Our Other Responsibilities Explained [73](#)

Independence and Fees [74](#)

1.1 Partner Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.

I am pleased to present our update report to Clackmannanshire Council (“the Council”) for the 2023/24 audit. The report summarises our findings and conclusions to date in relation to the audit of the Annual Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in October 2024.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing to date

Our 2023/24 audit is substantially complete. Based on our audit work completed to date, and the satisfactory resolution of the items listed on page [4](#), we expect to issue an unmodified audit report.

Our work around whether the Management Commentary and Annual Governance Statement complying with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the Council is undergoing the final stages of quality review. We provided management with final suggested changes based on review of the revised draft of the Annual Accounts and will confirm compliance once the final version of the accounts are received.

Our work around the auditable parts of the Remuneration report, and whether they have been prepared in accordance with the relevant regulation is complete. We have identified a prior period restatement in relation to the disclosure by pay band table within the Remuneration report. Details of this restatement can be found in the appendix to this report.

A summary of our work on the significant risks is provided in the dashboard on page [11](#).

We have identified a number of immaterial uncorrected misstatements during the course of our audit work to date. These misstatements were in excess of our reporting threshold of £0.17m and are detailed on page [68](#), within the Appendix to this report.

We have also reported a number of control findings based on our audit work performed to date. These are detailed on pages [18](#) to [21](#) of this report.

1.2 Partner Introduction (continued)

The key messages in this report (continued)

Status of the Annual Accounts audit

Outstanding matters to conclude the audit include:

- Finalisation of outstanding points within debtors testing;
- Finalisation of outstanding points within creditors testing;
- Finalisation of Disclosure testing;
- Finalisation of internal quality review procedures;
- Receipt of final draft financial statements;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2024.

Deloitte will provide a verbal update to the Council on the conclusion of these above matters at the Council meeting on 23 April 2026.

1.2 Partner Introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work

Financial management

The Council continues to have effective budget setting and monitoring arrangements in place. There continues to be pressure on the capacity of the finance team to support the financial management arrangements within the Council, although positive actions are being taken to address this.

Financial sustainability

The Council's ability to demonstrate financial sustainability in the medium to long term will depend on the rigorous implementation of the actions within the Medium-Term Financial Strategy (MTFS) and its ongoing review to address the remaining projected cumulative funding gaps. The Council continues to acknowledge this as an increasing risk, reflected as "Insufficient Financial Resilience" on its Corporate Risk Register. It remains critical that the detailed actions within the MTFS on how financial sustainability is to be achieved are diligently implemented and closely monitored and we understand progress has been made on these actions to the date of this report.

Vision, leadership and governance

The Council has appropriate Vision and Strategy in place as evidence from its Be the Future Target Operating Model which outlines strategic priorities which are forward looking. Also, the Council is adaptable and demonstrates a willingness to adjust plans based on changing circumstances.

Use of resources to improve outcomes

The Council has appropriate arrangements for Statutory Performance Information (SPI) compliance and public reporting. It continues to develop its performance management framework, focusing on enhanced business plan scrutiny and improving the timeliness and scope of its reporting.

Best value

The Council has appropriate and effective best value framework in place and has continued to make positive progress in addressing the recommendations contained in the 2019 BVAR and 2024 Controller of Audit Report.

1.4 Partner Introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (Continued)

Next steps

An agreed Action Plan is included on pages [58](#) to [63](#) of this report, including a follow-up of progress against prior year actions.

We have also prepared a separate management report as part of the Best Value thematic work in 2023/24 assessing Workforce Innovation and how the council is responding to workforce challenges.

Added value

Our 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. This is provided throughout the report.

We have also throughout the audit period discuss key reports with management where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the local government.

Stephen Craig
Lead audit partner

Annual Accounts Audit






2.1 Quality Indicators

 Lagging
  Developing
  Mature

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		As noted within the control deficiencies detailed in this report, we have identified control findings in relation to management’s review of key accounting judgements. This contributed to issues with the timeliness of the information provided to the audit team.
Adherence to deliverables timetable		<p>The unaudited accounts were not presented to Council until 30 January 2025, 7 months after the 30 June 2024 statutory deadline. Unaudited accounts have not been presented on time for 5 years (initially due to the COVID-19 pandemic, during which time the council was prioritising providing vital services to its communities and the statutory deadlines for the accounts were pushed back in recognition). This has had a knock-on impact in subsequent years.</p> <p>As a consequence of the issues noted above and the delayed production of the unaudited accounts, the original timeline to complete the 2023/24 audit by 30 January 2025, has been extended. 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. The completion is now timetabled to be April 2026, which impacts timely scrutiny and decision-making. We are committed to work with the Council on how we can improve the audit process together.</p>
Access to finance team and other key personnel		Deloitte and Council staff worked together to facilitate communication during the audit. While we note that there have been some delays during the audit process regarding delivery of audit requests, we acknowledge that the finance team have a number of competing priorities. We also note that a level of turnover within the audit team during the 2023/24 audit, also had an impact of the volume of requests the finance team were dealing with.

2.1 Quality Indicators (continued)



Lagging



Developing



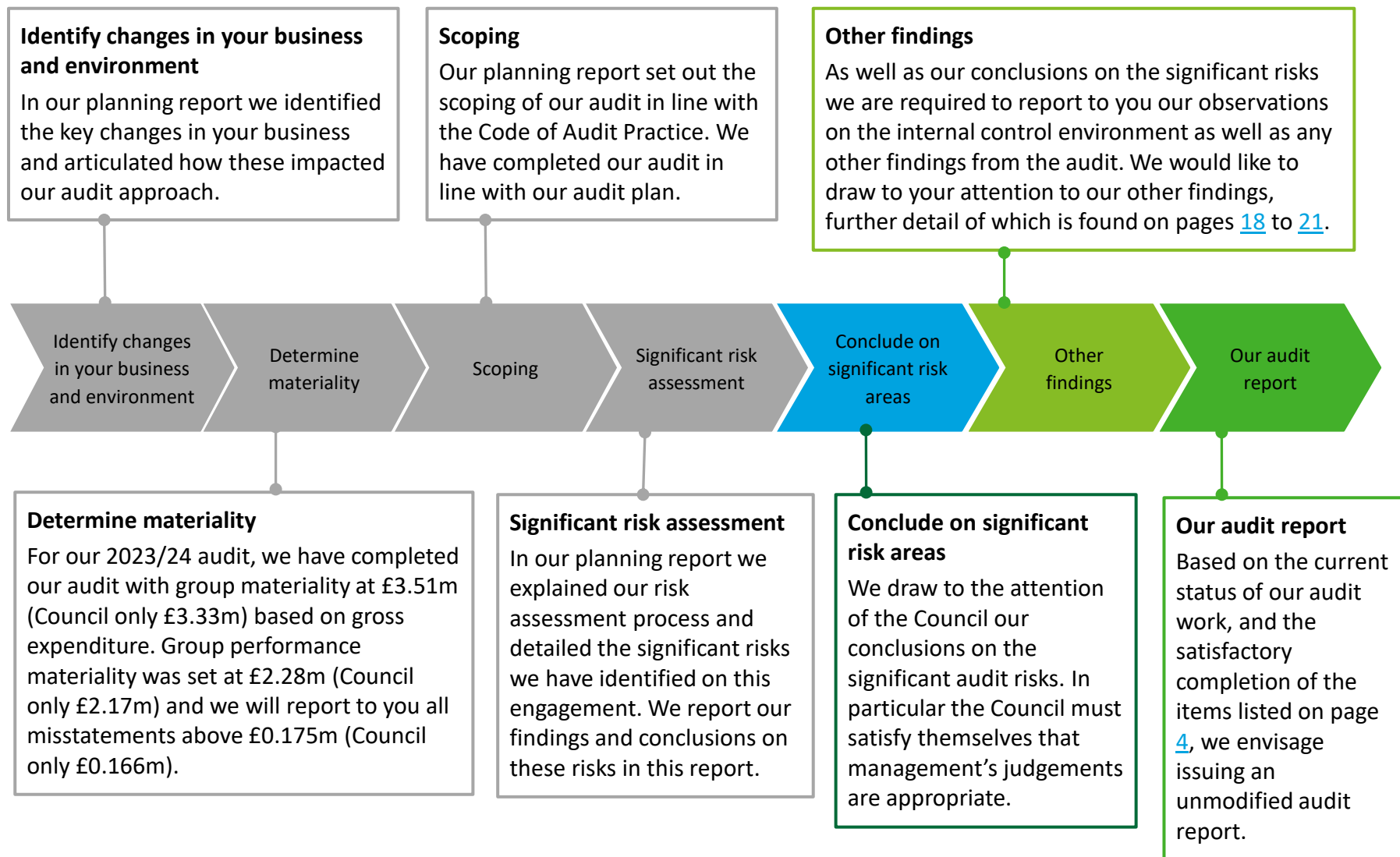
Mature

Impact on the execution of our audit (continued)

Area	Grading	Reason
Quality and accuracy of management accounting papers		<p>We identified instances where the quality and accuracy of the supporting evidence did not meet the standard required, with follow up requests being needed.</p> <p>We plan to hold a detailed de-brief with all members of the audit team and Council finance team to identify lessons learned and improve this for future years.</p>
Quality of draft Annual Accounts		<p>A high volume of accounts comments were raised through initial review of the draft Annual Report and Accounts. This included a number of disclosure misstatements and missing information that is a requirement under the CIPFA checklist. A prior period restatement was also required in the 2023/24 Annual Report and Accounts. Details of these are set out in the Appendices of this report. The Council should review this ahead of the 2024/25 audit as an area for improvement.</p>
Response to control deficiencies identified		<p>Control Deficiencies have been noted in our work as discussed on pages 18 to 21. We note from our follow up of control findings raised during the prior year audit, that a number of these remain partially implemented or in progress.</p>
Volume and magnitude of identified errors		<p>Misstatements and Disclosure Misstatements have been identified during the audit, as set out on pages 68 to 71.</p>










3.1 Our Audit Explained


We tailor our audit to your business and your strategy






4.1 Significant Risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Ineffective – See Pages 18 to 21 .	
Property valuations			Ineffective – See Pages 18 to 21 .	
Capital Expenditure			Effective.	

Controls approach adopted
 Assess design & implementation

Consistency of judgements with Deloitte's expectations

-  Consistent
-  Improvement required
-  Inconsistent

4.2 Significant Risks (continued)

Management override of controls

Risk identified

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 Annual Report and Accounts as well as the potential to override the Council's controls for specific transactions.

The key judgements in the Annual Report and Accounts are those which we have selected to be the significant audit risks – valuation of the Council's estate and recognition of capital expenditure. These are inherently the areas in which management has the potential to use their judgment to influence the Annual Report and Accounts.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have used data analytics to risk assess the journals population in 2023/24, and sample tested the appropriateness of those journal entries selected and other adjustments made in the preparation of the Annual Accounts. In designing and performing audit procedures for such tests, we have:

- Reviewed the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Used our data analytics tool, Spotlight, to risk assess the journals population and select journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this audit procedure, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

Our work on this significant risk areas is complete. We have not identified any instances of management override of controls in our work performed.

We have identified control findings in relation to the Councils processes. Details of control findings and recommendations are included on page [18](#) to [21](#) of this report.

4.3 Significant Risks (continued)

Management override of controls (continued)

Key estimates and judgements The key estimates and judgments in the Annual Accounts includes those which we have selected to be significant audit risks around property valuations (see page [14](#)) and capital expenditure (see page [15](#)). These are inherently the areas in which management have the potential to use their judgement to influence the Annual Accounts. While not considered to be significant audit risks, we have considered the assumptions used to calculate the pension asset (see page [16](#)) and the recognition of expenditure (see page [17](#)) as areas of audit focus in 2023/24. In the table below, we set out our challenge of the assumptions used in the determination of the Public Finance Initiatives and Public Private Partnership projects.

Estimate / judgement	Details of management's position	Deloitte Challenge and conclusions
Private Finance initiatives ('PFI') and Public Private Partnership ('PPP')	<p>The Council currently has one PFI project for the provision of education buildings, their maintenance and related facilities: Alloa, Alva, and Lornshill Academies.</p> <p>Each PFI liability is valued based on the value of the remaining lease payments under IAS 16 (Property, Plant and Equipment) and IAS 17 (Leases). The minimum lease rental is split between interest and principal using the actuarial method.</p>	<p>We obtained and assessed the initial PFI agreements in place and reconciled to the payment schedules for each model. We have checked the integrity of the models and have performed a reconciliation to the Annual Accounts. We have conducted a retrospective review of the prior year liability to assess accuracy and have challenged any changes made to the model. We have assessed the value of the underlying buildings through our Valuations work.</p> <p>We are satisfied that the PFI liability recognised in the accounts is in line with the models and there is no indication of management bias.</p> <p>We have challenged management's accounting treatment and concluded that the net book value has been appropriately disclosed.</p>

4.4 Significant Risks (continued)

Property valuations



Risk identified and key judgements

The Council held £345.9m of property assets (council dwellings and land and buildings) at 31 March 2023 which increased to £359.1m as at 31 March 2024, primarily due to capital additions during 2023/24. The Council engaged an external valuer to undertake a revaluation of a sample of assets for the 2023/24 financial statements. This was a combination of a desktop exercise and site visits. The five yearly valuation of all Council assets and housing stock is due to be undertaken in 2024/25.

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 asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.



Deloitte response and challenge

We have performed the following procedures:

- used our valuation specialists, Deloitte Real Estate Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's Land and Buildings;
- reviewed the design and implementation of key controls in place around the property valuation;
- tested the inputs to the valuation and the key asset information provided by the Council to the valuer back to supporting documentation; and
- challenged management's assessment for material changes in value for those property assets not subject to full valuation in the year.

In response to the UK government notice regarding Reinforced Autoclaved Aerated Concrete (RAAC), we have followed up the action taken to date with the Council. Management has confirmed that it has carried out a review of its estate. Some isolated occurrences of RAAC have been identified as part of this review. These occurrences are not material to the overall financial statements and have been taken into consideration as part of the valuations process.

Deloitte view

Our work on this significant risk area is complete. We have identified three corrected misstatements in relation to the valuation of property assets. These are in relation to the incorrect initial valuation of Lornshill Academy (£309k misstatement), instances of revalued asset values not being accurately recorded in the Fixed Asset Register (£279k misstatement) and the indexation of assets not revalued in the year (£13.5m). Further details of these adjustments is included in the appendices of this report.

We have also identified a number of control recommendations in relation to the Councils valuation controls. Details of these control findings can be found on pages [18](#) to [21](#) of this report.

4.5 Significant Risks (continued)

Capital Expenditure



Risk identified and key judgements

The Council has a significant capital programme and had budgeted £33.0m for capital works during 2023/24. Key projects included investment in the education estate, roads infrastructure improvements and expenditure associated with the Wellbeing Hub. Total capital additions and enhancements in 2023/24 were £28.7m.

Where the Council develops property and infrastructure assets as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. The increasing pressures on the revenue budgets increases the risk of amounts being incorrectly capitalised.



Deloitte response and challenge

We have performed the following procedures:

- Reviewed the Council's capital plans as part of the planning process and discussed with management potential risks or issues identified;
- Reviewed the design and implementation of controls around the capitalisation of costs and tested spending on a sample basis to confirm that it complies with relevant accounting requirements;
- Tested the design and implementation of controls around the transfer of assets out of assets under construction and into use and tested completed projects on a sample basis to ensure depreciation is charged from the correct date;
- Reviewed accounting papers prepared by management in respect of any areas of judgement in the application of accounting standards to determine whether costs should be capitalised;
- Evaluated the completeness of disposals or impairments of existing assets on completion of the above key projects; and
- Challenged any significant judgements made by management in regards to these projects, for example the capitalisation of staff costs and other project development costs, to ensure they comply with relevant accounting requirements.

Deloitte view

Our work on this significant risk area is undergoing the final stages of quality review. Based on our procedures and testing to date, we have not identified any misstatements or control findings within our capital expenditure work.

5.1 Other Areas of Audit Focus

Defined benefits pension scheme

Background

The Council participates in two defined benefits schemes:

- Scottish Teachers' Superannuation Scheme (STSS), administered by the Scottish Public Pension Agency; and
- The Falkirk Pension Fund (FPF), administered by Falkirk Council.

STSS is a defined benefit scheme accounted for as a defined contribution scheme and therefore our work and the commentary that follows relates to the FPF.

The net pension fund position has moved from a net asset of £29.1m in 2022/23 to a net asset of £15.3m in 2023/24.



Deloitte response

- We assessed the independence and expertise of the actuary (Hymans Robertson) supporting the basis of reliance upon their work;
- We reviewed and challenged the assumptions made by Hymans Robertson;
- We have obtained assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund Annual Accounts;
- We assessed whether the recognition of the asset is in line with standards; and
- We reviewed the disclosures within the accounts against the Code.

Deloitte view

Our work on this area of audit focus is complete. We have identified two judgemental misstatements in relation to our pensions work. Details of these are included below and in the appendices to this report.

We note that no explicit allowance has been made in relation to the Goodwin case in the FY24 accounts. Our internal specialists estimate that the total cost of this could be £390k.

We also note that there were two additional early retirements that were not included in Hymans Robertson's calculations as a result of leaver notifications being received after the actuary had prepared their report. Our internal specialists estimate the impact of not allowing for these two additional early retirements would be a loss of approximately £220k.

We have also noted one control finding in relation to the membership data provided to the actuary by the Pension Fund. We noted from our testing that the incorrect membership data was provided to the actuary. Details of the control finding are included on page [21](#) of this report.

5.2 Other Areas of Audit Focus (continued)

Expenditure recognition

Risk identified

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 (Revised), 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 considered this risk for the Council and concluded that we are satisfied there are no material weaknesses in the control environment and there is no history of adjusted or unadjusted misstatements. This has therefore not been assessed as a significant risk area but continued to be an area of audit focus. Our expenditure fraud risk for the 2023/24 audit has been pinpointed to capital expenditure. See page 15 for details.



Deloitte response

We performed the following procedures to address the above risk:




- Tested a sample of expenditure transactions in 2023/24 and agreed to supporting documentation to confirm that the expenditure has been appropriately recognised in the correct period;
- Tested a sample of capital expenditure to ensure appropriately recognised;
- Tested a sample of post year-end invoices and payments and agreed to supporting documentation to confirm that the expenditure has been recognised in the period to which it relates; and
- Agreed a sample of year-end accruals to supporting documentation and assessed the accuracy of management's estimate.

Deloitte view

We have identified small differences in the sampled population of year-end accruals. To assess the impact of these differences across the total population of accruals, we have performed an extrapolated misstatement calculation. Details of these misstatements are included on page [68](#) of this report. We note that as both the factual and extrapolated misstatements are immaterial, management have chosen not to correct this in the 2023/24 Annual Report and Accounts. We have also identified a misstatement in relation to the classification of COVID support income. This had been posted against an expenditure general ledger code, rather than income. The total value of this misstatement is £514k. As this is immaterial, management have chosen not to correct this in the 2023/24 Annual Report and Accounts.




6.1 Your control environment and findings

Control deficiencies

Observation	Priority	Deloitte recommendation	Management response and remediation plan
<p>Documented review of external specialist reports</p> <p>We note that there is no documented review of external specialist reports by management prior to inclusion in the Annual Report and Accounts.</p> <p>Documenting the review and challenge of external specialist reports is key to ensuring the assumptions used by specialists which could have an impact on the judgements included within the financial statements have been considered by management.</p>		<p>We recommend that the review and challenge of external specialist reports are clearly documented by management and that a record of queries sent to the specialist is retained.</p>	<p>Agreed - we will build this into our workplan going forward.</p>
<p>Review of revaluation postings</p> <p>We note that there was no documented review of the revaluation journal postings in FY24.</p> <p>Our valuation testing identified a number of differences between the valuers report and the values posted to the Fixed Asset Register. This indicates that review of the revaluation journal postings in year should be more detailed.</p>		<p>We recommend that management ensure a detailed review of the revaluation journal postings is performed each year.</p> <p>This review should ensure the proposed journal postings agree to the final information included in the valuers report.</p>	<p>Agreed - we will build this into our workplan going forward.</p>
<p>Documentation of impairment assessment</p> <p>We note that management do not produce documented evidence of the annual impairment review that they perform relation to property assets.</p>		<p>We recommend that management document the annual impairment review that they perform in relation to property assets. This should clearly set out management's impairment considerations.</p>	<p>Agreed - we will build this into our workplan going forward.</p>

6.2 Your control environment and findings (continued)

Control deficiencies (continued)

Observation	Priority	Deloitte recommendation	Management response and remediation plan
<p>Review of valuation inputs</p> <p>Our work on valuation inputs testing identified a number of differences between the support provided by management to the valuers and the inputs used by the valuers in their calculations.</p> <p>Whilst we have received assurance the valuers' figures are appropriate, we note that management should ensure accurate inputs information is held by the Council, and that this is reviewed prior to being provided to the valuer.</p>		<p>We recommend that management ensure accurate input information is held by the Council, that this is reviewed prior to being provided to the valuer and that evidence of the review is retained.</p>	<p>Agreed - we will work with colleagues in Place to ensure accuracy of data.</p>
<p>Review of expenditure against budget</p> <p>We acknowledge the Audit and Scrutiny's schedule, however we note that the Audit and Scrutiny Committee's quarterly review of actual expenditure against budget was not performed in a timely manner. The review of performance for FY23/24 as at December 2023 took place in May 2024 which is post the year end, and not timely enough to effectively drive decision making. Other council's governance schedules allow for earlier scrutiny.</p>		<p>We recommend that the Council ensure that timely reviews of expenditure against budget take place throughout the financial year.</p> <p>The reviews performed should take place in line with the quarter to which they relate.</p>	<p>Outturns are updated and reviewed by Budget Holders on a timely basis in the month following the end of the quarter. Outturns are also discussed within Service management teams ahead of reporting to Committee. Outturns are then finalised for inclusion in the report to Audit and Scrutiny Committee and the timeliness of reporting is determined by the Committee cycle, which is after the financial year end.</p> <p>The committee cycle does not allow for an earlier review of the 3rd quarter.</p>
<p>Posting of adjustments to the trial balance</p> <p>We note that there are a number of instances where material adjustments have not been posted to the trial balance and have instead been performed as off-ledger adjustments. This is specifically in relation to property, plant and equipment, intangibles and investment property.</p>		<p>We recommend that management ensure all adjustments are put through the trial balance and ensure that the trial balance reconciles to the financial statements.</p>	<p>Agreed - we will ensure all adjustments are posted through the ledger.</p>

6.4 Your control environment and findings

Areas for management focus



Observation	Priority	Deloitte recommendation	management response and remediation plan
<p>Differences identified in PFI testing</p> <p>During the audit of the PFI liabilities, we noted discrepancies between the draft financial statements and the PFI model, particularly pertaining to future payments. This was a result of indexation not been updated at the commencement of the audit, which required changes to be made to the draft accounts and audit testing.</p>	●	We recommend that as part of the year end closedown process, management ensure that all adjustments have been posted, to in turn ensure the draft financial statements prepared are accurate.	We will ensure that the indexation is updated within the PFI model to reflect future years liabilities.
<p>Suspense accounts</p> <p>We have noted that the Council operate a number of suspense accounts during the year. We identified suspense accounts at year end with trivial amounts included.</p>	●	We recommend management minimise the use of suspense accounts during the year and ensure all suspense accounts are cleared at year end.	We have assessed the risk and are content that suspense accounts do not require to be cleared on an annual basis as these are reviewed at year end and reflected within the relevant category on the balance sheet.
<p>Completion of CIPFA disclosure checklist</p> <p>We note that management do not complete the CIPFA disclosure checklist alongside the drafting of the Annual Report and Accounts. This can lead to disclosure misstatements being identified if the draft Annual Report and Accounts do not meet the checklist disclosure requirements.</p>	●	We recommend that management complete the disclosure checklist alongside the drafting of the Annual Report and Accounts.	Agreed - we will add this to the workplan.

● High ● Medium ● Low

6.4 Your control environment and findings

Areas for management focus (continued)

Observation	Priority	Deloitte recommendation	Management response and remediation plan
<p>Membership data provided to actuary</p> <p>We note from our pensions work that there were some errors in the membership data provided to the actuary.</p>		<p>We recommend that management ensure that the data provided to the actuary to perform their pensions work is complete and accurate.</p>	<p>Membership information is routinely provided to the Falkirk Pension Fund at the end of the year which they then pass on to the actuary. Due to the timing of the notifications of leavers, this information may not be provided to the actuary either by the Council or the Pension Fund in time to be included within the actuary's report. For future years, any late notifications will be risk assessed to determine whether this has a significant impact on the actuary results.</p>

 High  Medium  Low

7.1 Other Significant Findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

We have provided management with final comments on the revised draft Annual Report and Accounts. Once we have received the final Annual Report and Account, we will confirm that they have been prepared in accordance with the Code of Practice on Local Authority Accounting (the “Code”).

Significant matters discussed with management:

We have worked with management regarding the disclosure of a prior period misstatement in the 2023/24 Annual Report and Accounts.

This prior period misstatement is in relation to the pay banding disclosure within the Remuneration Report.

We are required to consult with our internal technical specialists regarding prior period restatements to ensure the appropriate disclosures are included within the Annual Report and Accounts.

This process has now been completed, and the updated disclosures have been correctly presented in the final version of the Annual Report and Accounts.

Regulatory change

IFRS 16, Leases, was due to come into effect on 1 April 2022, however, this was deferred to be effective from 1 April 2024 and will be included in the 2024/25 Code. Local authorities may adopt it in preceding financial periods if deemed appropriate.

Clackmannanshire Council has opted to wait until the implementation date of 1 April 2024.

The Council have disclosed within their accounts that they have not yet considered the impact of IFRS 16, as it is impractical to reassess current lease calculations to quantify the potential impact on the 2024/25 accounts.

We have confirmed that the Council has included appropriate disclosure within the Accounting Policy in relation to Accounting Standards Issued not yet Adopted.

Liaison with internal audit

The audit team has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks we identified in our audit plan, and in line with auditing standards, no reliance was placed on the work of internal audit and we performed all work ourselves.

We will obtain written representations from the Council on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter will be circulated separately.

8.1 Our Audit Report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Accounts

Based on the current status of our audit, and the satisfactory resolution of the items set out on page 4, we expect to issue an unmodified audit opinion.



Going concern

Based on our work performed to date, we have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment of the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

Based on our work performed to date, there are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph. There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in any other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page [24](#).

9.1 Your Annual Accounts

We are required to provide an opinion on the auditable parts of the Remuneration report, the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
Management Commentary	The report outlines the Council's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Council.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading.</p> <p>We have confirmed that the Management Commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading</p>
The Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior councillors and Senior Employees of the Council.	<p>Our work on the Remuneration Report is complete.</p> <p>We have identified a prior period restatement in relation to the disclosure by pay band table within the Remuneration report. Details of this restatement can be found in the appendices to this report.</p>
The Annual Governance Statement	The Annual Governance Statement reports that the Council's governance arrangements provide assurance, are adequate and are operating effectively.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Accounts and has been prepared in accordance with the Delivering Good Governance in Local Government Framework.</p> <p>We have confirmed that the Annual Governance Statement is consistent with the Annual Accounts, our knowledge and the accounts regulations.</p>

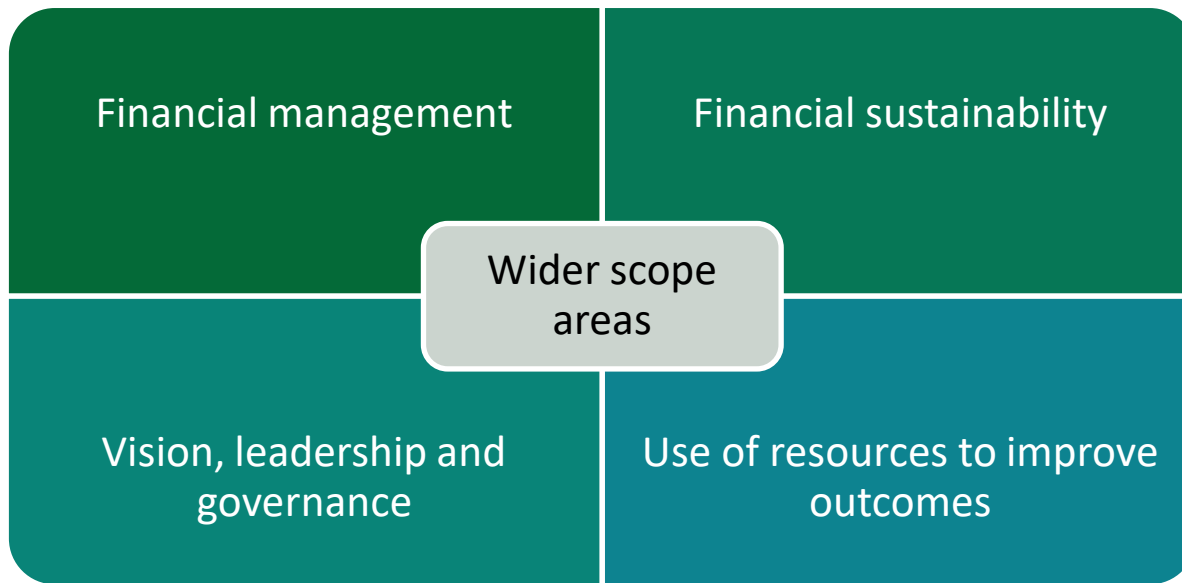
Wider Scope Audit



10.1 Wider Scope Requirements

Overview

As set out in our audit plan, 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.

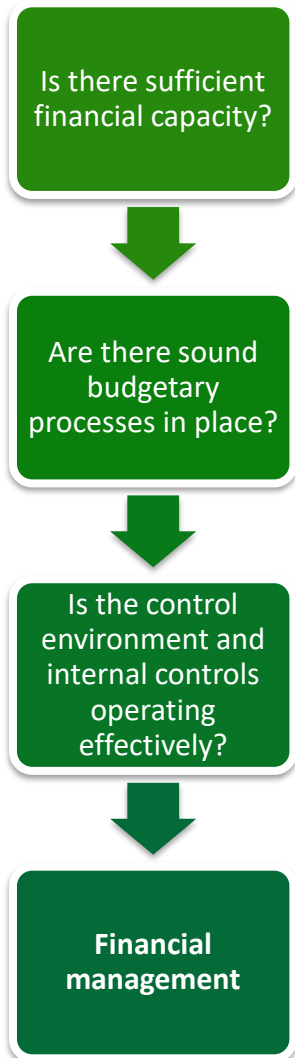


Our audit work has considered how the Council is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

Our work in this area was completed in Autumn 2024. We have updated this for key developments to the date of the report (based on discussions with management and certain supporting documentation) but our conclusions are on the appropriate and effectiveness of arrangements in place for 2023/24.

10.2 Wider Scope Requirements (continued)

Financial management



Risks identified in the 2023/24 Audit Plan (October 2024)

In our 2022/23 audit we identified five findings in relation to financial management and internal control, which increase the risk that sufficient controls are not in place to manage finances appropriately. This included:

- The capital budget process should be reviewed to ensure realistic budgets, clear timelines, and alignment with Council priorities.
- A lack of finance team resources.

From our planning work and understanding from the prior year audit, we have, however, not identified any significant risks in relation to financial management.

Current year financial performance

The **2023/24 General Fund budget** was approved by the Council on 9 March 2023, with a total revenue budget of £152.184 million. In approving a balanced budget, the Council approved total savings of £3.814 million. The budget has been updated throughout the year to include in-year movements, with the final outturn reporting an underspend of £1.977 million against the revised budget, before earmarked reserves.

The Council utilized £4.643 million of earmarked reserves to support the 2023/24 budget position, a conscious decision taken by the members to protect front line services. Additionally, the General Fund benefited from a £12.533 million increase in general reserves as a result of service concession arrangements.

We have considered the reserves position further on page [35](#). The Strategic management Team and Councillors regularly review progress against budget throughout the year, including progress against savings, with quarterly reporting to the Audit and Scrutiny Committee. From review of the reporting throughout the year, variances are clearly reported. However, the reporting could be enhanced by incorporating a detailed reconciliation statement outlining all adjustments from the original approved budget to the revised budget reported against during the year.

10.3 Wider Scope Requirements (continued)

Financial management (continued)

Current year financial performance (continued)

The key reasons for the underspend are:

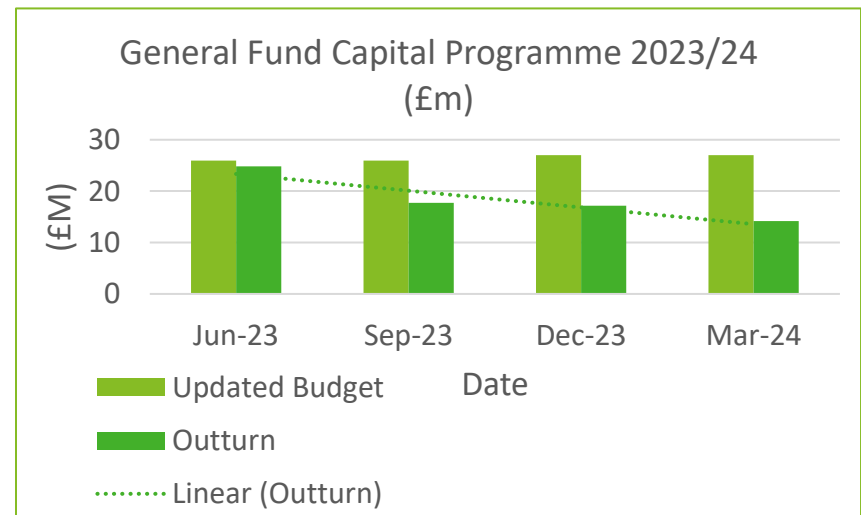
- Successful delivery of services within budget and achieved savings: The Council successfully managed its services within budget and achieved 69.3% of its approved savings for the year, with £2.642 million in savings achieved. This directly contributed to the positive revenue outturn.
- Strategic use of earmarked reserves: While the £1.977 million underspend is reported before the application of earmarked reserves, the strategic management and utilization of these reserves were necessary in achieving the overall financial position and balancing the budget. This has been a conscious choice by members to use reserves to limit cuts to front line services within the annual budget cycle.

The **2023/24 Housing Revenue Account (HRA)** budget was approved by the Council on 16 February 2023. It had a budgeted surplus of £3.818 million. Updates have been reported to members throughout the year as part of the normal reporting cycle. The final outturn position as at 31 March 2024 was a surplus of £4.718 million, which is £0.900 million greater than the budgeted surplus.

The **2023/24 HRA Investment Programme** was agreed at the same time as the HRA budget with an original £17.096 million and has been monitored throughout the year as part of the HRA reporting. The final outturn for the year was £13.089 million, resulting in an underspend of £5.260 million. £6.906 million of the budgeted 2023/24 expenditure is proposed to be carried forward to 2024/25.

The **2023/24 General Services Capital Programme** approved 9 March 2023, initially approved at £17.760 million and later revised to £26.970 million following confirmation of carry-forwards and additional grants, experienced a significant underspend of £12.803 million due to project delays, with £10.043 million proposed to be carried forward to 2024/25. [Recommendation 1]

A comparison of the approved budget, revised budget and final outturn is illustrated below.



10.4 Wider Scope Requirements (continued)

Financial management (continued)

Finance capacity

The effectiveness of the finance function, and consequently the broader financial governance of the Council, is impacted by recurring operational capacity challenges. We welcome the proactivity of management in performing a full review of the structure of the finance team and the efforts made in fulfilling vacant roles, however the finance team has been consistently stretched due to high turnover, staff absences and persistent difficulties within the marketplace in recruiting and retaining permanent personnel in key roles.

This constrained capacity has direct implications:

- **Information Provision:** The audit for 2022/23 experienced delays in receiving necessary information, a trend that has continued into the 2023/24 audit. These delays have impacted the audit team's ability to complete its work in line with original plans. This includes ability to respond to additional audit requests as they arise during the course of the audit.
- **Misstatements:** This report has identified misstatements in our significant risk and areas of audit focus alongside recurrent internal control findings. This includes but is not limited to property valuations and pensions.
- **Audit Timeline:** The unaudited accounts were not presented to Council until 30 January 2025, 7 months after the 30 June 2024 statutory deadline. Unaudited accounts have not been presented on time for several years (initially due to the COVID-19 pandemic, during which time the council was prioritising providing vital services to its communities and the statutory deadlines for the accounts were pushed back in recognition). This has had a knock-on impact in subsequent years. As a consequence of the issues noted above and the delayed production of the unaudited accounts, the original timeline to complete the 2023/24 audit by 30 January 2025, has been extended. 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. We are committed to work with the Council on how we can improve the audit process together.

While we acknowledge positive steps, such as the recruitment of both a permanent Chief Accountant and Capital Accountant, and the structural review of the Finance team, these issues raise concerns about the overall effectiveness of the Council's financial capacity in meeting its statutory obligations and supporting robust financial stewardship. We will continue to closely monitor progress in these critical areas during our appointment. This includes increasing engagement with the Controller of Audit and the Accounts Commission. [Recommendation 2]

10.5 Wider Scope Requirements (continued)

Financial management (continued)

Internal controls and internal audit

The Council has comprehensive financial regulations in place, which were last reviewed and updated in June 2023 and approved by Council.

We have reviewed all internal audit reports provided to us throughout 2023/24. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work for our external audit opinion.

The internal audit service for Clackmannanshire Council is provided by Falkirk Council as part of a Joint Working Agreement between the two Councils. The 2023/24 Internal Audit Plan, which included 381 audit days assigned across various assignments, included input from management on areas of focus, was approved by the Audit and Scrutiny Committee on 20 April 2023. Summary reports are provided to the Committee for each assignment.

While the internal audit service has confirmed the completion of its 2023/24 plan, our review of its findings highlights that a number of significant control weaknesses and improvement areas were identified across various assignments. As a result, the overall conclusion provided by Internal Audit for the Council's arrangements for risk management, governance, and control for the year to 31 March 2024, was one of Limited Assurance.

This assessment was formally reported in the Internal Audit Annual Assurance Report 2023/24, which forms a key part of the Council's Annual Governance Statement for 2023/24.

We understand management requested that the Internal Audit plan included areas where they had concerns over the control environment. However, the decreasing number of substantial assurance reports and an increasing number of limited and no assurance opinions arising from the internal audit reviews conducted during the year highlight the challenges within the Council's control environment. [Recommendation 3]

Assurance Conclusion	No of reports
No assurance	2
Limited assurance	2.5
Substantial assurance	0.5

10.6 Wider Scope Requirements (continued)

Financial management (continued)

Standards of conduct for prevention and detection of fraud and error

We have assessed the Council's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to Audit Scotland's Technical Bulletins which include a dedicated section on fraud and irregularities. We have also reviewed and discussed recent reports regarding high profile fraud at Local Authorities.

Mechanisms for the prevention and detection of fraud and error include financial regulations and contract standing orders, budget scrutiny through quarterly financial reporting to the Audit & Scrutiny Committee, annual audited accounts reported to Council and an internal audit programme delivered during the year and reported to Audit & Scrutiny committee. Audit recommendations progress reports are regularly presented to Audit & Scrutiny Committee.

However, broader reports on the Council's anti-fraud and corruption arrangements suggest that, as of April 2025, there had been limited progress in reviewing and updating these policies and ensuring their clear communication to staff, a recommendation stemming from the 2021/22 external audit. [Recommendation 4]

Overall, we found the Council's arrangements to be designed and implemented appropriately however these are impacted by the overall control environment recommendations made throughout this report.

National Fraud Initiative (NFI)

The Council continues its participation in the National Fraud Initiative (NFI) exercise. The Council provided all relevant data sets for the 2024/25 NFI exercise in September 2024, with results from Audit Scotland issued in early 2025 for subsequent follow-up. This indicates ongoing commitment to the initiative.

Specific details on the conclusion of the 2022/23 NFI match follow-up were not explicitly available in the reviewed documentation. We issued a recommendation on this as part of our review of this exercise. We will review the outcome of the 2024/25 NFI exercise in early 2026.

10.7 Wider Scope Requirements (continued)

Financial management (continued)

Deloitte view – financial management

The Council continues to have effective budget setting and monitoring arrangements in place. The reporting could be enhanced to provide more information on changes in budgets.

The effectiveness of the finance function, and consequently the broader financial governance of the Council, is impacted by recurring operational capacity challenges. We welcome the proactivity of management in performing a full review of the structure of the finance team and the efforts made in fulfilling vacant roles, however the finance team has been consistently stretched due to high turnover, staff absences and persistent difficulties within the marketplace in recruiting and retaining permanent personnel in key roles.

An independent internal audit function is in place and there are appropriate arrangements for the prevention and detection of fraud and error. The decreasing number of substantial assurance reports and an increasing number of limited and no assurance opinions arising from the internal audit reviews conducted during underscore the ongoing challenges within the Council's control environment.

Overall, we found the Council's arrangements for financial management to be designed and implemented appropriately however these are impacted by the control environment recommendations made throughout this report including the timeliness of financial reporting.

10.9 Wider Scope Requirements (continued)

Financial sustainability

Can short-term (current and next year) financial balance be achieved?



Is there a medium and longer-term plan in place?



Is the body planning effectively to continue to deliver its services or the way in which they should be delivered?



Financial Sustainability

Risks identified in the 2023/24 Audit Plan (October 2024)

In our audit plan we highlighted that while the Council has historically achieved financial balance, there remains a potential risk that robust medium to long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively.

This is based on a number of factors, including:

- In line with the whole public sector, pressures on expenditure including public sector pay costs and inflationary pressures not being met by increased income, resulting in an initial budget gap in 2024/25 of £11.561m before agreeing savings options.
- Indicative gaps of £5.723m and £4.683m identified for 2025/26 and 2026/27 respectively for the General Services budget.

We have considered these aspects on the following pages.

2024/25 budget setting and forecasted outturn

The Council approved a balanced revenue budget of £161.5million for 2024/25 on 29 February 2024. The budget paper noted an initial budget gap of £11.67 million.

For 2024/25 specifically, £5.38 million worth of recurring savings were approved. The Council also utilised £6.0 million of one-off reserves from service concessions to support the 2024/25 budget.

10.10 Wider Scope Requirements (continued)

Financial sustainability

2024/25 budget setting (continued)

In order to address the initial budget gap of £11.67 million for 2024/25, members agreed on a combination of measures:

Decision	£m
Budget Gap Before Member Considerations	11.67
Approved savings	(5.38)
Utilisation of one-off funding/Reserves	(6.0)
Capital receipts	(0.2)
Remaining Budget Gap / (Surplus)	-

The Council In line with the process for setting the 2024/25 budget discussed on page [27](#), acknowledged significant financial risks, primarily stemming from future pay negotiations, service demand and the ongoing uncertainties of local government finance settlements from the Scottish Government. These remain the most substantial systemic risks affecting all Scottish Councils.

10.11 Wider Scope Requirements (continued)

Financial sustainability

Reserves

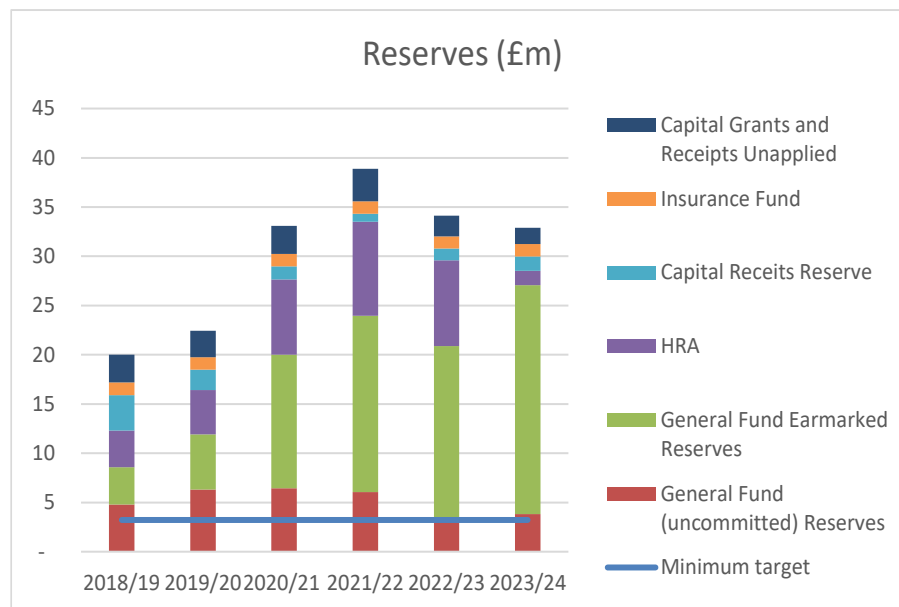
At the time of approval of the 2024/25 budget on 29 February 2024, the Council carried out its annual review of its Reserves Strategy and agreed to maintain its target level of uncommitted General Fund reserves at a minimum of 2% of budgeted net expenditure.

The Council's uncommitted General Fund reserves at 31 March 2024 stood at £3.82 million, which represents 2.4% of budgeted net expenditure.

In 2023/24 the Council used some of the benefit from the one off £12.533 million Service Concession flexibility to top-up the uncommitted reserves (this has subsequently been committed).

All earmarked reserves are reported to Committee outlining their purpose and review regularly. Earmarked reserves have been increasing compared with uncommitted reserves decreasing. This limits the levers the Council can use to fund general overspends.

Over the past 2 years, Council has approved the use of reserves and one-off budget flexibilities to help balance the annual revenue budget. We are aware members are making conscious choices about use of reserves instead of cuts to front line services, however this approach may not be available in the medium to longer term. Use of reserves to help fund budget gaps should be minimised to ensure financial sustainability, with the focus on future budget setting being on identifying sustainable recurring budget savings.



10.12 Wider Scope Requirements (continued)

Financial sustainability

HRA and Capital Investment 2024/25

The HRA revenue budget and Capital Investment Programme for 2024/25 was approved by Council on 1 February 2024. This included approval to increase Council house rent by 6.7%, a decision informed by a tenant consultation where 55% of respondents agreed this increase was appropriate to maintain the current five-year business plan. The capital investment program, totalling £18.036m, reflects the HRA's strategic priorities and will be funded through a combination of reserves and borrowing, in line with its treasury management strategy. The long-term financial implications of this borrowing, including its impact on future budgets, will require careful monitoring.

Medium-to-long term financial planning

The Council successfully set a balanced budget for 2024/25, The longer-term financial outlook presents challenges in achieving this balance. The Council's analysis highlights an indicative funding gap of £13.012m for 2025/26, growing to a cumulative gap of £29.662m by 2028/29. The 2024/25 balanced budget was achieved through measures such as utilizing £0.204m in capital receipts and drawing down £6.079m from reserves. These measures are not sustainable for addressing projected shortfalls in future years but were conscious decisions taken by the Council to avoid further cuts to key services provided.

Given this growing funding gap, coupled with uncertainty surrounding key budget assumptions, the Council has taken steps to address these pressures. A formal Medium-Term Financial Strategy (MTFS) was developed and presented to the Council in June 2025. On 27 February 2025 the Council approved its balanced budget for 2025/26, which included a 13% Council Tax increase and a revenue budget of £170.98 million. A revised 20-year capital investment programme of £248 million was also agreed.

While these decisions directly address the immediate year and set out a revised capital plan, the Council's ability to demonstrate financial sustainability in the medium to long term will depend on the rigorous implementation of the actions within the broader MTFS and its ongoing review to address the remaining projected cumulative funding gaps. The Council continues to acknowledge this as an increasing risk, reflected as "Insufficient Financial Resilience" on its Corporate Risk Register. It remains critical that the detailed actions within the MTFS on how financial sustainability is to be achieved are diligently implemented and closely monitored. We understand that progress has been made on the actions identified in the MTFS during the period from June 2025 to the date of this report. [Recommendation 5]

10.14 Wider Scope Requirements (continued)

Financial sustainability

Deloitte view – Financial sustainability

The Council successfully set a balanced budget for 2024/25. However, this balance was dependent on achieving ambitious savings targets of £5.383 million, a significant increase from the £2.6 million achieved in the previous year.

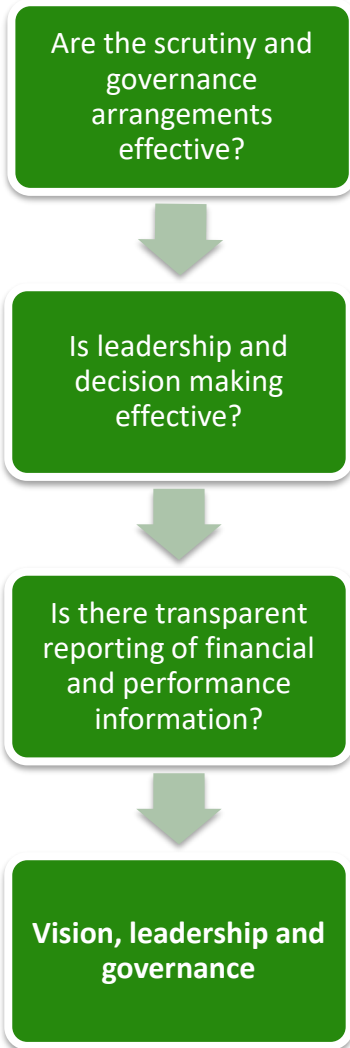
During this period, the Council's approach to council tax, prudent reserve policy, and transparent reporting with community consultation demonstrated a responsible budgetary process. Despite these efforts, the Council's analysis highlighted significant projected funding gaps for 2025/26 and beyond, growing to a cumulative £29.662 million by 2028/29. Should these shortfalls require utilisation of the reserves there will be reducing reserves available to balance future budgets.

The Council's ability to demonstrate financial sustainability in the medium to long term will depend on the rigorous implementation of the actions within the MTFS and its ongoing review to address the remaining projected cumulative funding gaps. The Council continues to acknowledge this as an increasing risk, reflected as "Insufficient Financial Resilience" on its Corporate Risk Register. It remains critical that the detailed actions within the MTFS on how financial sustainability is to be achieved are diligently implemented and closely monitored and we understand progress has been made on these actions to the date of this report.

Quarterly updates to the MTFS should be completed and reported to elected members given the significance of the financial sustainability risk.

10.15 Wider Scope Requirements (continued)

Vision, leadership and governance



Risks identified in the 2023/24 Audit Plan (October 2024)

In 2022/23 we concluded that the Council demonstrated its commitment to conducting its business in an open and transparent manner through the recording of committee meetings and availability of information on its website.

Following the local government elections in May 2022 the Council agreed a number of changes to its decision-making framework. This recognised the size of the Council, being the smallest mainland Council in Scotland, with 18 elected members. The aim of the changes were to maximise participation of all elected members in decision making, sustain maximum transparency over the Council's decision making, streamline the administration of Council business and to enhance the effective scrutiny of Council activity and decisions.

Vision and strategy

The Council is making progress on its strategy and priorities through its annual "Be the Future" transformation program, which sets corporate priorities aligned with the long-term Wellbeing Local Outcomes Improvement Plan (LOIP) and is supported by detailed service-level business plans and ongoing performance monitoring.

The Council's Strategy is underpinned by the Council's Be the Future Target Operating Model which commenced in 2018 and associated Transformation Programme.

Sustainable approaches are a part of the Council's strategy. The impacts on sustainability are outlined in all reports to Council and committees.

10.16 Wider Scope Requirements (continued)

Vision, leadership and governance (continued)

Leadership

The Councils approach to vision, leadership, and governance demonstrates adaptability and a strong culture of cooperation among members and senior managers.

In essence, the Council's leadership, comprising both elected members and senior officers, demonstrates a clear commitment to adapting to the changing environment and fostering a cooperative, respectful, and trust-based working relationship to deliver on its strategic priorities and "Be the Future" transformation agenda.

Governance and scrutiny arrangements

The Local Code of Corporate Governance in place is consistent with the best practice and good governance principles set out in the Delivering Good Governance in Local Government Framework and is reviewed annually.

While the Financial Regulations have been recently updated, the Standing Orders (2020) and Scheme of Delegation (2012) are outdated and need to be reviewed.

The Audit & Scrutiny Committee plays a key role in the governance arrangements of the Council. It is important that the Council maintains governance with all parties represented. Regular reporting on finance, performance and risk is provided to the Audit and Scrutiny Committee. A forward plan is agreed at the start of the financial year with the Chair and is reviewed on a regular basis. The Council should take care that elected members time is used effectively to focus on the most significant issues including reviewing its oversight of the scrutiny activity undertaken.

Training plans for members and employees on key governance improvement areas is being taken forward, while improvement areas are included in appropriate Directorate Business Plans. This links into the skills assessment activity which we have reviewed as part of our work on workforce innovation included in the separate management report.

The Code of Conduct is provided for all staff and members with regular reminders issued. The Corporate Values are also in place and part of the induction and employee handbook. Information can be accessed on these codes and policies on the Council's staff intranet. The Whistleblowing policy was approved in 2023 and is published on the Council's website and intranet.

10.17 Wider Scope Requirements (continued)

Vision, leadership and governance (continued)

Deloitte view – Vision, leadership and governance

The Council has appropriate Vision and Strategy in place as evidence from its Be the Future Target Operating Model which outlines strategic priorities which are forward looking. Also, the Council is adaptable and demonstrates a willingness to adjust plans based on changing circumstances.

The Local Code of Corporate Governance is consistent with the best practice and good governance principles set out in the 'Delivering Good Governance in Local Government Framework'.

The Audit and Scrutiny Committee plays a key role in the governance arrangements. In line with best practice, we recommend that the Committee continues to carry out an annual self-assessment to allow it to identify any training needs or changes to the Committee.

10.18 Wider Scope Requirements (continued)

Use of resources to improve outcomes



Risks identified in the 2023/24 Audit Plan (October 2024)

In 2022/23, we concluded that the Council continued to make positive progress addressing the recommendations contained in the Best Value Assurance Report published in January 2018 and the Subsequent Progress Report published in June 2019.

Given the financial challenges faced by the Council, there is a risk that the Council is unable to demonstrate that resources are being used effectively with a focus on continuous improvement, ensuring that all roles are performed as required.

Performance management framework

We have considered the Council’s updated performance management framework, and how it aligns to the Council’s vision and priorities, specifically underpinning its annual “Be the Future” corporate priorities and the broader Wellbeing Local Outcomes Improvement Plan (LOIP). While not presented as a single, consolidated document to the Audit and Scrutiny Committee for approval, various reports detailing performance against these priorities, including quarterly performance assurance review reports and service business plan updates, were presented and scrutinised by the committee throughout the year including providing feedback. [Recommendation 6]

Statutory performance indicators

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission’s Best Value (BV) audit responsibilities. In turn, councils have their own responsibilities, under their BV duty, to report performance to the public. The Accounts Commission Statutory Performance Information Direction requires a council to report a range of information in the areas listed on the next page.

10.19 Wider Scope Requirements (continued)

Use of resources to improve outcomes

Statutory performance indicators (continued)

SPI 1: Improving local services and outcomes

- Performance in improving local public services, both provided by the Council and in conjunction with its partners and communities.
- Progress against desired outcomes agreed with its partner and communities.

SPI 2: Demonstrating Best Value

- The Council's assessment of how it is performing against its duty of BV, including self-assessments and service review activity, and how it plans to improve against this assessment;
- Audit assessments (including those in the annual audit) of how its performance against its Best Value duty, and how it has responded to these assessments; and
- Assessments from other scrutiny and inspection bodies, and how it has responded to these assessments.

We have evaluated the effectiveness and appropriateness of the arrangements that the Council has in place, including the appropriateness of the information provided to members in responding to statutory directions, and concluded as follows:

- The Council produces an annual Corporate Performance Report demonstrating its performance across its annual "Be the Future" corporate priorities for 2023/24, which are closely aligned with the Community Planning Partnership's Local Outcomes Improvement Plan (LOIP) outcomes;

- Performance monitoring occurs at the strategic level, with Key Performance Indicators (KPIs) in place to review progress against the Council's corporate priorities and outcomes. The Council's move towards a more streamlined framework places enhanced focus on Business Plan monitoring and scrutiny, with performance reported twice yearly for annual portfolio Business Plans;
- Performance information is considered by the Audit and Scrutiny Committee, including the "2023-24 Corporate Performance Report" and various service-specific business plan updates throughout the year;
- The Council participates in the Local Government Benchmarking Framework (LGBF), which brings together a wide range of information about how all Scottish Councils perform in delivering services, including costs and citizen satisfaction. From the latest available LGBF data 44% of Clackmannanshire Council's LGBF indicators were in the top two quartiles for Scottish councils;
- Performance reporting dashboards are provided on the Council's websites for various services and corporate performance; and
- This Annual Corporate Performance Report for 2023/24, along with regular Business Plan reviews to committees and the Annual LGBF data, provides transparency on the performance of the Council and its services. The Council has appropriate arrangements to report its performance publicly and to comply with the Accounts Commission's Statutory Performance Information Direction.

Based on the above, we are satisfied that the arrangements are appropriate.

10.20 Wider Scope Requirements (continued)

Use of resources to improve outcomes

Self-evaluation arrangements

The Council is actively exploring alternative models of service delivery through its "Target Operating Model," which involves a mixed economy approach to future service delivery. This work is at an early stage, with discovery work having been undertaken through a series of workshops with Falkirk Council and PwC. The outputs of this discovery work were presented to Council 27 November 2025. As part of Council's November 25 decisions, tranche 1 projects agreed and Transformation Through Collaboration Board established and £2m from SG Invest to Fund accepted. This project explored three levels of joint working: a self-sustaining model, a mixed economy, and full integration, assessing the potential benefits, implications, and risks of each.

Up-to-date LGBF results, alongside other key performance indicators, are provided to services and the Audit and Scrutiny Committee through the annual Corporate Performance Report for 2023/24 and through regular service-specific business plan reviews.

Performance data

44% of The Council's LGBF indicators were in the top two quartiles for Scottish councils, indicating strong comparative performance in many areas, though this was a slight decrease from previous years. Within specific corporate priorities, "Community Resilience & Care Experience" (45%) and "Climate & Environment" (63%) showed positive trends, with a high proportion of indicators improving. However, "Resources & Assets" (44%) saw significant decline in some indicators despite efforts for improvement.

10.21 Wider Scope Requirements (continued)

Use of resources to improve outcomes

Performance data (continued)

The Councils performance data as presented in its corporate performance report demonstrates a detailed picture:

- **KPI Alignment:** Of the 70 Statutory Performance Indicators (SPIs) with available data, 79% (55 out of 70) were on target or within the defined performance threshold, representing a slight improvement from the previous year's 77%;
- **LGBF Indicator Positioning:** While 44% of the Council's LGBF indicators were in the top two quartiles for Scottish councils, this marks a decrease from 50% in their respective base years, indicating some shift in comparative performance; and
- **Mixed Trends Across Priorities:** The Council's performance for 2023/24 shows varied results across priorities: Climate & Environment was strongest, with 50% clear improvement. Community Resilience & Care Experience saw 45% improvement but also 30% decline for particular indicators. Resources & Assets had a 44% decline, offsetting 41% improvement elsewhere. Population & Physical Health largely remained static (63%), while Children, Young People & Families had mixed improvement/decline (27% each) and over half (55%) ranked in the bottom two quartiles despite 73% hitting targets.

Deloitte view – Use of resources to improve outcomes

The Council has appropriate arrangements for Statutory Performance Information (SPI) compliance and public reporting. It continues to develop its performance management framework, focusing on enhanced business plan scrutiny and improving the timeliness and scope of its reporting.

10.22 Wider Scope Requirements (continued)

Best value

Requirements

It is the duty of the Council to secure Best Value as prescribed in Part 1 of the Local Government in Scotland Act 2003. We have a statutory duty to be satisfied that the Council have made proper arrangements for securing BV.

Conclusions from Audit Work

Under the Code of Audit Practice, the audit of Best Value is fully integrated within the annual audit work. We have evaluated and reported on the performance of the Council in meeting its Best Value duties as follows:

- 1. Follow-up and risk-based work.** We have followed up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports (BVAR) on page 46 to 54 and the Annual Audit Reports on pages [58 to 67](#). Our risk-based work is considered on pages [11 to 17](#).
- 2. Service Improvement and reporting.** We have assessed how effectively the Council demonstrates service improvement on pages [41 to 44](#).

3. Thematic reviews. We have reported our conclusions on the thematic work for 2023/24 on “Workforce Innovation – how councils are responding to workforce challenges.” in our separate management report, issued at the same time as this report.

4. Contributing to Controller of Audit reports. Deloitte has reported its findings which were incorporated into the “Best Value: Clackmannanshire Council” report to the Accounts Commission in September 2024.

Deloitte view – Best Value

The Council has appropriate and effective best value framework in place and has continued to make positive progress in addressing the recommendations contained in the 2019 BVAR. The Council has a clear understanding of areas which require development.

Financial sustainability is the biggest risk that the Council face. The Council is faced with having to make difficult decisions to achieve financial sustainability, there needs to be continued focus on the medium-term financial position and closing the current gaps identified.

10.23 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings

Key


-  Complete
-  In progress
-  Not started

Best Value Assurance Report

We have assessed the Council’s progress against each of the recommendations made in the 2018 BVAR report all 4 recommendations were assessed as complete in 2022/23.


Best Value – Controller of Audit Report

We have assessed the Council’s progress against each of the recommendations made in the 2024 Controller of Audit Report, detailed in the table below. 3 out of 8 recommendations are assessed as complete in 2023/24.

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
<p>1. Like many councils, Clackmannanshire Council continues to face significant financial pressures and while it has delivered previously identified savings, there has been a reliance on one-off budget flexibilities and reserves to balance its budget. The council needs to take urgent action to set out how it intends to achieve financial sustainability. The Commission strongly encourages the council to develop a robust Medium-Term Financial Strategy (MTFS) by the end of financial year 2024/25. The MTFS should link clearly to transformation plans and projects, workforce and digital strategies, the council’s Capital Investment Programme, and show how current funding challenges with the Health and Social Care Partnership (HSCP) will be addressed.</p>		<p>The Council has addressed the need for urgent action on financial sustainability by developing and approving a robust Medium-Term Financial Strategy (MTFS) in June 2025. This strategy consolidates various financial and strategic plans, outlining a clear three-pronged approach to achieve financial sustainability through expenditure reduction, income maximisation, and transformational redesign, and explicitly links to ongoing transformation, workforce, and digital initiatives, as well as addressing medium-term risks.</p>	<p>Reported as completed</p>


10.24 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
<p>2. The Commission welcomes the steps the council has taken to develop its transformation programme. Successful delivery of this programme is essential to achieve both a sustainable financial position and improve outcomes. As well as being clear on the resources required to be allocated to the transformation programme, clarity is also needed in relation to the benefits it expects to be realised, and by when.</p>		<p>The Council has made significant progress in addressing the clarity required for its transformation programme. A Benefits Realisation plan and framework have been formally agreed by the Council, following discussions with the Council Leader and the "Be The Future Board." This framework establishes parameters for measuring benefits, including qualitative and quantitative methods at project, thematic, and overall programme levels. The Council is currently mapping existing organisational data to the "Be the Future" outcomes, with the first annual benefits report anticipated this year. Furthermore, the Council secured £2 million from the SG Invest to Save Fund, which has been awarded and accepted, as well as establishing the Transformation Through Collaboration project.</p> <p>The Council have also established a Transformation Space to accelerate preventative services, aiming to reduce demand and achieve cost savings in line with the Christie Commission Principles and Public Service Reform Strategy 2025.</p>	<p>Reported as ongoing.</p>


10.25 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
<p>3. Given the particular combination of challenges facing the council – including capacity, recruitment, resilience within teams, leadership development and sickness absence – the Commission urges the consideration of all options within transformation plans and projects including partnering arrangements, digital delivery, collaboration and shared services to ensure the future sustainability of service delivery.</p>		<p>The Council is actively addressing challenges related to capacity, recruitment, resilience, leadership, and sickness absence through its "Be the Future" Transformation Programme, established in 2018 with cross-party support. This programme is underpinned by a refined Target Operating Model (TOM) and a refreshed workforce strategy, focusing on support, training, skills development, and culture change. The Council is leveraging key enablers such as digital and data transformation, alongside values-based leadership initiatives.</p> <p>Significant emphasis is placed on partnering arrangements, collaboration, and shared services. This includes ongoing work with PwC to explore shared service approaches with Falkirk Council, with a discovery phase report already received and officer recommendations pending. The Family Wellbeing Partnership and associated Transformation Space exemplify collaboration with the third sector and independent funders, shifting towards early intervention to reduce demand on services. Furthermore, the Council has developed a 5-year Digital Roadmap (detailed in the MTFS) to modernise services, improve data use, and enhance efficiency through automation and AI.</p>	<p>Reported as ongoing.</p>


10.26 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
Continued from previous page.		These integrated efforts aim to ensure the future sustainability of service delivery, tackle poverty and inequality, and achieve positive outcomes for the community.	Reported as ongoing.


10.27 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
<p>4. The Commission recognises the ongoing positive working relationships between elected members and officers and across political parties but would emphasis to members that this should not come at the cost of effective scrutiny and challenge.</p>		<p>The Council has implemented various mechanisms to ensure effective scrutiny and challenge by elected members, while maintaining constructive working relationships. Opportunities for scrutiny include Full Council, the Audit & Scrutiny Committee, the Be the Future Board, other Council-agreed Boards, and regular Group Leaders meetings with the Chief Executive.</p> <p>The Audit & Scrutiny Committee has been notably strengthened through the introduction of pre-agenda meetings, an annual effectiveness review (aligned with CIPFA), and regular meetings between the Chair/Vice Chair and the Section 95 Officer. An Annual Report of the Committee's activities is also presented to Council. Furthermore, elected members engage in scrutiny through the annual budget-setting process, which includes officer-led challenge sessions, and receive all-member briefings on key issues. Significant capital projects, such as the Wellbeing Hub and Lochies School, receive enhanced scrutiny through regular Council updates and briefings.</p>	<p>Reported as completed.</p>


10.28 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
<p>5. The Commission notes that the comparative performance of Clackmannanshire Council's services has declined over time, and that capacity is impacting progress on improvement actions in some service areas. The council must be clearer on the action it is taking to tackle poor performance and the impact it expects planned actions to have.</p>		<p>The Council has implemented a series of strategic and operational measures to address declining performance and capacity constraints. The Medium-Term Financial Strategy (MTFS) explicitly acknowledges pressures on service delivery and workforce capacity, committing to targeted investment, workforce planning aligned with transformation, and a shift towards preventative service models. Funds have been specifically earmarked for "Be the Future" transformation activities, with oversight from the Strategic Oversight Group and the Be the Future Board.</p> <p>To enhance accountability and clarity on improvement actions, the Council provides 6-monthly reports to the Audit and Scrutiny Committee on progress against Internal Audit and AGS recommendations. Furthermore, a new "One Plan, One Report" model has been approved for people-related services, designed to address silo reporting and combine outcome measures, moving beyond traditional LGBF performance indicators. This "one-council whole system approach" is being extended across other service areas, aiming to improve outcomes and tackle poverty and inequality.</p>	<p>Reported as ongoing.</p>


10.29 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
<p>6. The Commission welcomes the council's approach to engaging the local community and is pleased to see that the council's annual priorities align to the Community Planning Partnership's local outcome improvement plan (LOIP), underpinned by a performance management framework. With plans, strategies and scrutiny arrangement now in place, the Commission will expect to see evidence of how outcomes are improving over the longer term as part of the council's public performance reporting.</p>		<p>The Council continues to strengthen its community engagement and alignment of priorities. The "Be the Future Transformation Space" reports (March and June 2025) outline a new approach focused on community voice-led transformation, agile funding, building a wellbeing economy, and a single, community-relevant reporting framework. The strategic outcomes of this new model are aligned with the Wellbeing Local Outcomes Improvement Plan (LOIP), approved by Council in October 2024. This approach aims to accelerate the work of the Community Planning Partnership (Alliance) and place the community at its core, with an increased focus on addressing silo working and delivering Whole Family Support. Strategic partners, including Police Scotland and NHS Forth Valley, are actively exploring enhanced planning and reporting to improve outcomes, accelerate early intervention, and reduce poverty.</p> <p>The Target Operating Model of the Council, previously approved in 2018, was revised and presented to Council in February 2026.</p>	<p>Reported as ongoing</p>


10.30 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
<p>7. The finance team continues to be stretched and has recently operated with ongoing long-term absences. This has contributed to the late production of the annual report and accounts. It is important that the council urgently addresses its financial capacity.</p>		<p>The Council acknowledges the ongoing challenges within its finance team, particularly regarding long-term absences and the sector-wide difficulty in recruiting qualified accountants. While long-term absences have been addressed through maximising attendance procedures, recruitment efforts continue via temporary agency staff and specialist agencies. In a broader context, the Council is exploring collaboration discussions with other councils to address these capacity challenges. Furthermore, as part of its transformation programme, a 2-year Absence Compliance Officer post has been approved. This role is intended to proactively manage absence, reduce sickness levels, achieve budget savings, and provide comprehensive support to portfolios, including early Occupational Health referrals, process compliance, and manager mentoring, thereby enhancing overall workforce resilience. The status of this recommendation is ongoing, supported by evidence of internal HR procedures and collaboration communications.</p>	<p>Reported as ongoing</p>

10.31 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – September 2024	Status	Progress Report – January 2026	2023/24 Update
<p>8. The council should review its capital budget setting and monitoring arrangements to ensure it sets realistic budgets with clear timelines and a clear linkage to council priorities.</p>		<p>The Council has addressed this recommendation by implementing a robust framework for capital budget setting and monitoring. A 20-year rolling investment programme, updated annually and approved as part of the budget, is prepared in line with the Capital Strategy detailed in the annually approved Treasury management Strategy Statement. For monitoring, a Capital Operations Group, comprising key finance and transformation personnel, meets bi-monthly to review outturns, project phasing, costs, new funding bids, and asset sales. Furthermore, a pre-budget review process involves meetings with budget holders to review the capital programme and new bids for inclusion in the draft programme.</p>	<p>Reported as completed.</p>

11.1 Audit Quality and Our System of Quality management

Our commitment to audit quality

Audit quality is at the heart of everything we do and our system of quality management (SQM) 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 of 31 May 2025. 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 of 31 May 2025.

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



12.1 Purpose of Our Report and Responsibility Statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Scrutiny Committee, and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Accounts.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for 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.

What we don't report

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

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

London | 14 April 2026

Appendices



13.1 Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>1. Financial management The Council needs to implement robust project management which include more rigorous planning, realistic timelines and proactive risk identification and mitigation strategies for internal and external factors causing delays to the capital programme.</p>	<p>A robust review of the 2025/26 -2044/45 capital programme is being undertaken as part of the 2026/27 budget process.</p> <p>The Capital Operations Group (COG) provides strategic oversight, governance, and assurance for the Council’s Capital Programme, ensuring that capital investments are aligned with corporate priorities, deliver value for money, and are managed effectively.</p> <p>There is a Lessons Learned Log in place since April 2025; however, no projects have yet completed since this was introduced. The Lessons Learned Log will be shared with the Capital Operations Group at the bimonthly meetings as a standard agenda item.</p>	High	Chief Finance Officer / Senior Manager Transformation and Capital	March 2026
<p>2. Financial management There is a significant risk to the Council's financial governance, its ability to meet statutory obligations, and the reliability of its financial information for informed decision-making by both internal management and external stakeholders. While recent efforts to boost capacity are positive, a more fundamental and sustained improvement in financial capacity and process efficiency is imperative to ensure robust financial stewardship and restore confidence in the timeliness and clarity of the Council's accounts. As part of Council’s November 25 decisions, tranche 1 projects agreed and Transformation Through Collaboration Board established and £2m from SG Invest to Save Fund accepted.</p>	<p>The service continues to experience turnover and recruitment challenges and recruitment to vacant posts is undertaken timeously.</p> <p>The Council is exploring the potential for the introduction of market supplements for key posts which may assist for difficult to fill roles.</p> <p>The use of AI is also being explored to improve processes and generate efficiencies. This aligns to the digital and data corporate priority recently approved by Council.</p> <p>An additional post has been agreed by Council within the Corporate team as part of 2026/27 budget setting specifically to assist with assets and annual accounts preparation.</p>	High	Chief Finance Officer	Ongoing

13.2 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>3. Financial management</p> <p>The internal audit's "Limited Assurance" conclusion, coupled with a decreasing number of substantial assurance reports and an increasing number of limited and no assurance opinions, indicates weaknesses in the Council's internal control and governance environment. We recommend that the Council implement the following:</p> <ul style="list-style-type: none"> • Reinforce a robust "tone at the top" regarding the importance of internal controls, risk management, and financial discipline, alongside clearly communicating management's commitment to a strong control environment. • Prioritize the comprehensive review and implementation of all outstanding internal audit recommendations, especially those related to financial processes, with clear action plans, assigned responsibilities, and defined deadlines. Regular monitoring and reporting of implementation status should be formally established at a senior level. 	<p>The most recent report to the Audit and Scrutiny Committee, December 2025, in relation to the progress of internal audit actions confirmed that progress on outstanding recommendations continues to be a standing agenda item for the Strategic Leader Group with Directors also ensuring actions are considered at their Senior Management Team meetings.</p> <p>The Senior leadership Forum and Team Leader forum also has a programme in place with strong focus on governance and compliance.</p> <p>Regular reporting is provided to the Audit and Scrutiny Committee on the progress related to completion of recommendations identified by internal audit.</p> <p>There will be continued focus on grade 1 and grade 2 recommendations arising out of internal audit reports.</p> <p>The Councils Pentana system is maintained in relation ongoing progress against recommendations.</p>	Medium	Strategic Director – Partnership and Performance	March 2026

13.3 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>4. Financial management</p> <p>At April 2025, the Council hadn't updated and shared its anti-fraud policies with staff, a recommendation from the 2021/22 audit. Therefore, the Council should:</p> <ul style="list-style-type: none"> • Immediately prioritize the update and formal approval of its anti-fraud policies, followed by a comprehensive and mandatory communication and training program for all staff to ensure awareness and understanding of responsibilities. • Implement a robust plan to enhance the timely investigation and resolution of all NFI fraud alerts, ensuring proper documentation of outcomes and lessons learned. 	<p>Following recruitment of the Councils Corporate Fraud Officer there will be a focus on the review, and development, of relevant anti fraud policies which will include relevant training.</p> <p>Internal audit have indicated that in preparation for the 2024/25 national exercise training was provided which saw a considerable improvement in the response rate. We would envisage further training would be provided ahead of the next national programme to further improve responses</p>	High	Senior Manager – Legal and Governance	Financial Year 2026/27

13.4 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>5. Financial sustainability</p> <p>The 2024/25 budget, while demonstrating responsible short-term financial management, exhibits significant long-term funding gaps and over-reliance on unsustainable one-off funding from reserves. A lack of detailed analysis on savings impacts weakens its viability.</p> <p>To address this, the Medium-Term Financial Strategy should be updated to include, strengthened savings impact assessments, detailed transformation plans and exploration of alternative revenue. Updates to the MTFS should be clearly reported to elected members.</p> <p>As part of Council’s November 25 decisions, tranche 1 projects agreed and Transformation Through Collaboration Board established and £2m from SG Invest to Save Fund accepted.</p>	<p>The Medium Term Financial Strategy will be updated to reflect the most recent budget gap and the strategies that will be used to mitigate this.</p> <p>As the MTFS is an overarching strategy document, specific savings are detailed within the annual budget setting reports rather than the MTFS. Each saving has a business case to support it and a detailed impact assessment where appropriate. These are shared with all members throughout the budget setting process.</p> <p>The Council is also developing and will implement a benefits realisation framework that will support the Transformation element of the strategy.</p>	High	Chief Finance Officer / Senior Manager Transformation and Capital	March 2026

13.5 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>6. Financial sustainability</p> <p>The Significant projected funding gaps of £13.012m (2025/26) and £29.662m (2028/29) render the Council financially unsustainable in the medium term. Current transformation initiatives would benefit from detailed financial planning and impact assessment.</p> <p>To address this, We recommend that management develop and implement a comprehensive Medium-Term Financial Strategy (MTFS), detailing actions to address the projected funding gaps. This MTFS must include:</p> <ul style="list-style-type: none"> • A detailed breakdown of all transformation projects, outlining individual project costs, timelines, and expected financial benefits. • A benefits realisation tracker to monitor progress and ensure achievement of stated aims. • A clear articulation of how transformation projects contribute to long-term financial sustainability. 	<p>The MTFS was approved by Council in June 2025 and as above, this is the overarching strategic document.</p> <p>Savings are not included within the MTFS as these are included within the Budget Setting report as this done on an annual basis.</p> <p>Detailed transformation plans are reported through the Be The Future Reports and further detail will be provided within the Benefits Realisation tracker currently in development.</p>	High	Chief Finance Officer/ Senior Manager Transformation and Capital	March 2026
<p>As part of Council’s November 25 decisions, tranche 1 projects agreed and Transformation Through Collaboration Board established and £2m from SG Invest to Save Fund accepted.</p>				

13.6 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>7. Use of Resources to Improve Outcomes – Performance management Framework The Council has appropriate service review procedures in place but should continue to develop its Performance management Framework based on feedback received from the elected members.</p>	<p>Work is underway to refresh the Councils corporate approach to Performance Management which will align with the revised Target Operating Model and will complement the Be the Future benefits realisation framework; align with the new Statutory performance direction (SPI) and integrate progress already cemented around our Best Value eco-system and self-assessment. Engagement has taken place with key internal stakeholders including elected members and members of the senior leadership team with a key driver for the refresh of the framework to reinvigorate the ‘golden thread’. This work is on track to be completed by the end of March 2026.</p>	High	Chief Executive and Director Partnership & Performance	March 2026
<p>8. Control Deficiencies as per pages 18-21. The council should address the control deficiencies which have been noted in this report and look to address the root causes of these as per the Deloitte recommendations.</p>	<p>Agreed, responses provided against each on pages 18-21</p>	High	Chief Finance Officer	December 2026

13.7 2022/23 Action Plan Follow-Up

We have followed up the recommendations made in 2022/23. We note that the 4 of the 9 recommendations have been fully implemented the 5 which remain outstanding are documented below..

Recommendation	Management Response 2022/23	Management update 2023/24
<p>1. Medium-Term Financial Strategy</p> <p>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 follow-up audit: Progress in meeting the challenges (audit-scotland.gov.uk) as a reference.</p>	<p>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.</p>	<p>Implemented</p> <p>A supplementary report – Budget Context and Outlook was presented to Council at its budget setting meeting for 2025-26 which set out the financial context the Council is operating in, including current risks and actions already being undertaken to mitigate these risks particularly around Transformation. A MTFS is being developed to collate the information presented within the Budget Strategy reports, the Annual Budget Report and the Budget Context and Outlook Report presented to Council during 2024-25. The MTFS was presented to Council in June 2025.</p> <p>Responsible officer: Chief Finance Officer Updated date: June 2025</p>

13.8 2022/23 Action Plan Follow-Up (continued)

Recommendation	Management Response 2022/23	Management update 2023/24
<p>2. Finance team capacity</p> <p>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.</p>	<p>Partially implemented</p> <p>The recruitment to the Chief Accountant post has been completed and start September 2024. Recruitment for permanent capital accountant is on-going.</p> <p>Following the finalisation of the restructure of Revenues, a review of the Finance structure is in progress</p>	<p>In progress.</p> <p>Key finance posts (Chief Accountant, Capital Accountant) were filled in 2024, and Phase 1 of the Finance Redesign approved an additional Accountant post. However, recruitment remains challenging due to market conditions and turnover, exacerbated by increasing audit queries and new IFRS 16 requirements.</p> <p>Responsible officer: Chief Finance Officer Updated date: September 2026</p>
<p>3. Non-current asset accounting</p> <p>The process for identifying surplus assets, impairment and accounting for revaluations should be strengthened to ensure they can be accurately captured in the financial statements</p>	<p>Partially implemented</p> <p>Finance staff will continue to liaise with internal officers and external valuers to ensure financial statements accurately reflect the non-current asset position.</p> <p>Responsible officer: Chief Finance Officer Agreed date: 30 September 2023</p>	<p>In progress.</p> <p>Meetings are held with Finance and Property staff, and external valuers are engaged for asset valuations. There are areas where the external auditor disagrees on valuation methods which have led to amendments in the last two years, and we continue to work with all parties to ensure final audited accounts reflect appropriate valuation estimates.</p> <p>Responsible officer: Chief Finance Officer Updated date: Ongoing process</p>

13.9 2022/23 Action Plan Follow-Up (continued)

Recommendation	Management Response 2022/23	Management update 2023/24
<p>4. Financial systems of internal control and key supporting documents</p> <p>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.</p>	<p>Partially implemented</p> <p>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.</p> <p>Responsible officer: Chief Finance Officer and Monitoring Officer</p> <p>Agreed date: 2023/24</p>	<p>Partially implemented</p> <p>Reconciliations are being completed on a timely basis. However, progress on both the Scheme of Delegation and the review of Standing Orders has been delayed due to capacity issues within Legal Services and ongoing work on the Integration Scheme review. It is anticipated that both pieces of work will be completed by March 2026.</p> <p>Responsible officer: Chief Finance Officer and Monitoring Officer</p> <p>Agreed date: December 2026</p>

13.10 2022/23 Action Plan Follow-Up (continued)

Recommendation	Management Response 2022/23	Management update 2023/24
<p>5. Prevention and detection of fraud and error</p> <p>The council should review and update its anti-fraud arrangements and policies and ensure these are clearly communicated to staff.</p>	<p><i>Partially implemented</i></p> <p>A new whistle blowing policy was approved by Council in October 2023, slightly later than planned. A staff training and awareness campaign is now in development, with rollout due to commence in Q4 of 2023/24.</p> <p><i>Revised target date:</i> 31 March 2024</p>	<p><i>Partially implemented</i></p> <p>Our Whistleblowing policy/procedure was approved by Council in October 2023 and cascaded to staff, with ongoing communications through internal channels. We are planning training in combating fraud and corruption for Directors, Senior Managers, and other key officers during 2025/26. An additional Fraud Officer post has been approved in the 2025/26 budget; upon appointment, this officer will conduct a self-assessment using the Scottish Government’s Counter Fraud Maturity Model to identify necessary improvements. Our existing measures include the Whistleblowing Policy, Gifts/Hospitality Policy, Code of Conduct, Register of Interests, participation in the National Fraud Initiative, and various efforts by the Revenues Team to identify and prevent fraudulent activity.</p> <p>Responsible officer: Monitoring Officer</p> <p><i>Revised target date:</i> December 2026</p>

14.1 Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

		Debit/(credit) CIES £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m
Misstatements identified in current year					
Creditors – extrapolation	[1]	-	0.606	(0.606)	-
COVID provider support over-accrual - extrapolation	[2]	(0.817)	0.817	-	-
Allowance for Goodwin case	[3]	0.390	(0.390)	-	-
Impact of early retirements	[4]	0.220	(0.220)	-	-
COVID support funding miscoding	[5]	-	-	-	-
Total		(0.207)	0.813	(0.606)	-

[1] We identified within our creditors testing a sampled item that was included within FY24 creditors that related to FY23. We extrapolated this difference (factual error £260k) across the total creditors balance, which resulted in an extrapolated uncorrected misstatement of £606k.

[2] Our testing of NHS and Local Authority creditors identified that the COVID provider support accrual was overstated by £692k in 2023/24. We extrapolated this difference across the remainder of the population, which resulted in an extrapolated uncorrected misstatement of £817k.

[3] Our internal pension specialists have noted that no allowance has been made in the Council accounts in relation to the Goodwin case. They estimate that the total cost for making an allowance for this would be £390k. Given this is an immaterial, judgemental misstatement, we are satisfied that this is not reflected in the accounts.

[4] As noted on page 21, we have raised a control finding in 2023/24 in relation to information provided to the actuary by the Pension Fund. In 2023/24, the actuary were notified of two early retirements after they had prepared their report. Our internal pension specialists estimate that the impact of this omission would be an additional cost of £220k.

[5] As part of our income and expenditure testing, we identified that £514k of COVID support funding had been incorrectly posted against an expenditure code rather than an income code.

14.2 Audit adjustments

Corrected misstatements

The following corrected misstatements have been identified up to the date of this report, which we bring to the attention of the Committee.

		Debit/(credit) CIES £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m
Misstatements identified in current year					
Property valuation – Lornshill Academy	[1]	-	0.309	-	(0.309)
Property valuation – Fixed asset register recording	[2]	-	0.279	-	(0.279)
Property valuation – indexation of non-revalued assets	[3]	-	13.5	-	(13.5)
Total		-	14.088	-	(14.088)

[1] As part of the work performed by our property valuation specialists, it was identified that the Lornshill Academy had been incorrectly valued. This was due to the valuer using the incorrect land area in the valuation. The correction of this error resulted in a £309k increase in the valuation of land in the 2023/24 Council Financial Statements. Management have corrected this error in the revised draft accounts.

[2] As part of our valuations testing, we identified that a number of asset valuations had been incorrectly input into the Fixed Asset Register (FAR). The values input did not reconcile with the external valuer's report. The total impact of these errors were a £279k increase in PPE valuation.

[3] As a follow on to the recommendation in our prior year ISA 260 and work performed by our property valuation specialists the Council updated its approach to impairment by using indexation for assets not revalued in the year. This resulted in a £13.5m increase in the value of fixed assets. Previously, the Council had applied the outcomes of in-year valuations to the remaining asset class.

14.3 Audit Adjustments

Disclosures

Uncorrected Disclosure Misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report.

Disclosure	Quantitative or qualitative consideration
<p>There has been no allowance made for administrative expenses paid from the fund assets. The Defined Benefit Obligation and assets are overstated by £147k. This may be considered a disclosure deficiency within the pensions note. Note there is no impact on the FY24 balance sheet position or CIES.</p>	£147k
<p>During the course of our audit, we identified that there are assets currently disclosed within Assets Under Construction (AUC) that may have been brought into use prior to 31 March 2024. The Council intends to review this balance as part of the 2024/25 accounts preparation. This affects £711k of assets held in AUC at 31 March 2024.</p>	£711k
<p>Our disclosure note testing in 2023/24 has identified that capital commitments amounting to £1,523,942.78 have not been disclosed in the accounts. This is based on management judgement as to whether the commitment is in place at the year end.</p>	£1,524k

14.4 Audit Adjustments

Disclosures

Corrected Prior Period Disclosure Misstatement

We note that the following prior period disclosure misstatement was identified during the 2023/24 audit and corrected by management.

Disclosure

Remuneration Report – Disclosure by Pay Band

We note that the Disclosure by Pay Band table within the 2022/23 Remuneration Report was disclosed based on pay subject to National Insurance, rather than gross pay. This has resulted in a required restatement of the prior year disclosure within the Remuneration Report. We have confirmed that this has been correctly updated in the final Annual Report and Accounts. See below for updated disclosure.

General Disclosure by Pay Band (Audited)

The number of employees, whose remuneration in the year was greater than or equal to £50,000 (grouped in rising bands of £5,000).

Remuneration Band	Signed 2022/23 Number of employees	Restatement change Number of employees	Restated 2022/23 Number of employees	No of Employees 2023/24 Number of employees
£50,000 - £54,999	68	7	75	70
£55,000 - £59,999	24	4	28	54
£60,000 - £64,999	39	(7)	32	25
£65,000 - £69,999	20	5	25	37
£70,000 - £74,999	16	(5)	11	21
£75,000 - £79,999	6	-	6	13
£80,000 - £84,999	2	(1)	1	5
£85,000 - £89,999	-	-	-	2
£90,000 - £94,999	2	-	2	2
£95,000 - £99,999	1	-	1	1
£100,000 - £104,999	4	-	4	1
£105,000 - £109,999	-	-	-	3
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	1	-	1	-
£120,000 - £124,999	-	-	-	1
	183	3	186	235

* This table has been revised to reflect gross pay whereas previously it had been based on pay subject to National Insurance.

14.5 Audit Adjustments

Disclosures

Corrected Disclosure Misstatement

We note that the following disclosure misstatement was identified during the 2023/24 audit and corrected by management.

Disclosure

Assets under Construction - Additions

During the audit we identified that there were additions to Council Dwellings that should have been capitalised in Assets under Construction (£1.8m). Management have updated the final version to disclose these additions within Assets under Construction.

PFI – Payments

As noted on page 20, we identified discrepancies between the PFI model and the payments disclosure within note 32 of the Annual Report and Accounts. Management have updated the final version to disclose the payments which align to the PFI model.

15.1 Our Other Responsibilities Explained

Fraud responsibilities and representations



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. 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.

Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in capital expenditure recognition and management override of controls as a key audit risks. During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.

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.

Concerns:

No issues or concerns have been identified in relation to fraud.

16.1 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 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 the Council and our objectivity is not compromised.

Fees The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:

	£
Auditor remuneration	222,070
Audit Scotland fixed charges:	
• Contribution to PABV costs	53,480
• Audit support costs	8,090
• Sectoral cap adjustment	(30,510)
Total expected fee	253,130

We are in the process of reviewing the total audit effort the FY24 audit of Clackmannanshire Council and the potential impact on the fee. Once a potential further fee has been agreed with Audit Scotland, we will communicate the fee level to management for further consideration.

Non-audit services In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. 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 and to otherwise advise as necessary.

Relationships We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



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