# Moray Council
# Annual Audit Report

Financial year ending 31 March 2025

Prepared for those Charged with Governance and the Controller of Audit

24 September 2025

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Audit Practice 2021). We do not accept any responsibility for any loss occasioned to any third part acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# 01 Executive summary

# Executive summary

This table summarises the key findings and other matters arising from the external audit of Moray Council and its Group and the preparation of the financial statements for the year ended 31 March 2025 for those charged with governance  (full Council) and the Controller of Audit.

## Financial statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The Group and Council financial statements give a true and fair view of the state of affairs of the Council and its group as at 31 March 2025 and of the income and expenditure of the Council and its group for the year then ended;
- the Group and Council financial statements have been properly prepared in accordance with  UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code;
- the Group and Council's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local government in Scotland Act 2003.   We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).

**We issued an unmodified opinion for Moray Council following the Council meeting on 24 September 2025**.

**We issued an unmodified opinion for The Moray Council Connected Charity on 24 September 2025.**

We have concluded that the Remuneration Report has been prepared in accordance with requirements.

We have concluded the work on the Governance Statement has been prepared in accordance with the relevant guidance.

We have concluded that the other information to be published alongside the financial statements is consistent with our knowledge of the Council.

### Draft financial statements

The draft financial statements were presented for audit by the deadline of 30 June 2025, with the Council authorising their financial statements on 24 June 2025.

### Target completion dates

The target completion dates for the 2024/25 audit was 24 September 2025.

The target timeline was achieved, with this Auditor's Annual Report presented to full Council and the audit opinion signed by the 30 September 2025 target deadline.

The Council have been successful in their targeted plan to bring the audit back to target audit timelines.  This is an achievement, with the aim of this continuing annually.

# Executive summary (2)

## Financial statements

### Amendments to the primary financial statements

There have been material primary statement adjustments and disclosure amendments. The significant adjustments are summarised in more detail, with all amendments noted in Appendix A.

The impact upon the primary statements has been material, to increase the balance sheet net assets by £22.5 million, noting that all adjustments are to unusable reserves. The change meant that the Council went from reporting a comprehensive net income of £9.713 million to a comprehensive net income of £32.263 million.

The significant adjustments from the draft financial statements in the primary statements are summarised below and have all been adjusted by management:

- the valuation of Property, Plant and Equipment increased by £22.5 million from £1.277 billion to £1.299 billion. This related to two separate errors in the valuation of Council Dwellings where an increase of £12.884 million was required in the Council house valuation due to an updated desktop valuation and a separate increase of £10.060 million as a result of the revaluation being recorded incorrectly in the revaluation reserve. A further error was identified due to an asset being double counted in the valuation of Other Land and Buildings resulting in a decrease of £0.527 million.

All of the above changes impacted unusable reserves only.

Significant adjustments were also required to the disclosures in the notes to the accounts. These have been summarised below and all have been adjusted by management:

- The Capital Financing Requirement in the draft accounts did not include the £12.076 million recognition of the right of use asset within capital investments.
- The operating lease disclosure where the Council act as a lessor did not include all expected leases in the future minimum lease payment. Including all leases increased this disclosure by £14.257 million.

### IFRS 16

Moray Council was required to adopt IFRS 16 Leases for the first time in 2024/25. Under IFRS 16, the Council was required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position, which resulted in significant changes to the accounting for leased assets and the associated disclosures in the financial statements.

As this was the first year of adoption, we undertook detailed audit work on the introduction of right of use assets and liabilities. We identified several issues with the disclosures included in the draft accounts and requested updates were processed to ensure compliance with the CIPFA Code of Audit Practice. Full details on the changes made are outlined in the response to the risk identified at page 28.

We also identified errors in the calculations of the right of use assets and associated liabilities. The right of use asset was understated by £1.123 million and the associated liabilities understated by £0.867 million. The Council have not amended for the errors identified as it was below performance materiality. As a result, we have reported this as an unadjusted error in Appendix A.

### Audit categorisation / Hot review

Moray Council's total expenditure for 2024/25 exceeded £500 million. In line with our audit methodology, this resulted in a categorisation of the Moray Council audit as a category 2b audit. The categorisation to category 2b meant the maximum materiality that could be set for the audit was 2%, rather than 2.5% for

# Executive summary (3)

## Financial statements

### Audit categorisation / Hot review (continued)

other bodies. This only impacts in 2024/25 as the parameters have changed for 2025/26 onwards, so Moray Council will not be a category 2b audit next year.

As a category 2b audit, the accounts were subject to a “hot review” from our Internal Quality Support Team (QST). This involved QST performing a detailed review over the disclosures in the accounts, with the audit team using the findings to ask for amendments to be made to the accounts. All amendments made as a result of the hot review process are detailed within this report.

### ISA 600 - Groups

A revised edition of ISA (UK) 600 applied for the first time in 2024/25 annual audits. The ISA introduced significant changes to the audit of groups and required additional audit work to be completed over significant group balances at the component level. The audit team carried out additional procedures in relation to valuations of Property Plant and Equipment, Investments and Cash and Cash Equivalents.

### Response to PPE Valuations Work

The audit team met challenges when completing work on the significant risk area relating to valuations of land and buildings and council dwellings. The response rate from the valuer to our queries and samples was slow and meant that our audit testing took longer than anticipated to complete.

In the lead up to our testing, we requested that the valuer prepared reports which highlight the key judgements made in valuing assets during the year. We identified several errors in these reports and instances where data had not been updated from the previous year. This resulted in a revision of the initial reports and valuations we were presented for audit, addin additional work to our audit as we worked through the changes processed.

We had raised a recommendation in our previous audit that the Council should ensure there is early discussion with any new valuer to ensure the valuer is aware of the requirements and responsibility for audit. This recommendation is carried forward appreciating upcoming changes in the valuation team. **A recommendation around the response to valuations queries is noted at Appendix B.**

### Journals authorisation processes

Our work on journals identified that the Council does not have journal authorisation processes within the general ledger, and processes are more informal.  There is a reliance upon reactive controls through the budget monitoring process, whereas proactive controls would enhance the ability to reduce the risk of fraud or error from the opportunity to override management controls.

Our work on journals therefore had a higher risk category resulting in a larger number of journals tested. No issues were identified in this testing.

We are aware that the Council have introduced a new authorisation control within the ledger from 01 April 2025 and we will review its operation as part of our 2025/26 audit. We have followed up a prior year audit recommendation raised on journal authorisation processes at Appendix F.

# Executive summary (4)

## Financial statements

### Working papers

The working papers presented for audit were provided on time, but for some areas improvement is required. We had raised a recommendation in the previous audit asking the finance team to review the working papers presented for audit, however the working papers presented for audit were largely in the same format as previous years. There continued to be instances where "hard coded" information was included in the working papers, which adds more difficulty into the audit process.  The Council have confirmed they intend to review working papers being prepared and presented to audit.

**The recommendation raised in the prior year audit remains open and is noted at Appendix F.**

### Unadjusted misstatements and recommendations

We also identified potential misstatements during the audit from our testing. Management have decided not to adjust the financial statements as the misstatements identified are not material.  Further detail is in Appendix A .

We have raised two recommendations for management from our audit work on the financial statements. These are set out in Appendix B.

Our follow up of the financial recommendations made in the prior year audit are detailed in Appendix F.  Of the thirteen recommendations made in 2023/24, eight have been cleared with one in progress and four still open.

As noted, we would like to record our appreciation for the assistance provided by the finance team and other staff including the internal valuer and revenues staff during the audit.

### Audit fee

The audit team have been required to carry out significant additional audit work as part of our 2024/25 audit. As part of the financial statements audit work, we required to do significant work around the implementation of IFRS 16. As identified, our work around valuations took longer than planned due to the high number of issues identified in the responses received from the valuer. This required additional auditor time to work through the significant number of queries raised.

A new auditing standard, ISA 600 was introduced during 2024/25, resulting in additional audit procedures to understand the entities with make up the Moray Council group. Due to the new requirements of the ISA, we were required to complete additional audit testing, both during our planning and year end procedures.

As this was the first year of IFRS 16 introduction, this is outwith the agreed audit fee in line with the terms of our contract with Audit Scotland.

We identified in our audit plan that we would be required to follow up the significant number of previous audit recommendations made, both in our financial statements audit and in relation to our wider scope audit responsibilities.

In addition, the Council has more wider scope risk areas of focus that require audit coverage, than would be expected in the base audit fee.

Based on all of the above issues, we anticipate charging an additional audit fee for the issues identified during 2024/25, including for the additional work required due to the impact of the wider scope work.  This has been set at £43,570. The Trust Fund audit is outside of the base audit fee, and this was set at the planning stage at £7,190. Therefore, the increase in audit fees from the base is £50,760. This is further set out in Appendix G.

The additional audit fee has been discussed with management during the course of the audit.

# Executive summary – Wider Scope and Best Value

Financial statements

## Wider Scope and Best Value

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider the Council's arrangements in respect of financial management, financial sustainability, vision leadership and governance and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2025, we documented our assessment of the wider scope risks and planned audit work. At the planning stage we identified one significant risk in respect of financial sustainability and two potential significant risks in respect of financial management and vision, leadership and governance. The significant risk in relation to financial sustainability remains at the closing stage of the audit.

We outline the work undertaken in response to the risks identified and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out. Further details of the work undertaken are outlined on pages 45 to 77. We have raised two wider scope recommendation for management. These are set out in Appendix C.

The follow up of prior year wider scope and thematic recommendations is set out at Appendix F. There were seventeen in total and review of these recommendations have concluded that fourteen are complete and three are in progress.

The Council has taken positive steps to implement the recommendations raised in the prior year reporting and it is clear the Council have embraced the recommendation process. By building these elements into business as usual, a trajectory of sustained improvement is evidenced.

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the Best Value Revised Statutory Guidance 2020. As set out in the Code of Audit Practice 2021, Best Value audit is integrated with other wider-scope annual audit work.

For 2024/25, the scope of Best Value work included conclusions on:

- The Accounts Commission's requested thematic work on transformation
- Progress made against recommendations raised in the Controller of Audit Report
- Effectiveness of council performance reporting
- Council service performance improvement.

## Thematic Review – Transformation

The key findings from the thematic review are summarised in this report at pages 78 - 81, with the separate thematic report presented to the 26 August 2025 Corporate Committee meeting.

An action plan within the thematic review report notes eight recommendations, with the Council's agreed response to the actions suggested. This has been replicated at Appendix D. No follow up on the progress of actions has been carried out given the timing of the thematic review being presented to Members.

## Controller of Audit Best Value Report

We contributed to the Controller of Audit Best Value report published in March 2024. The Council produced a comprehensive Best Value Action Plan to address the findings of the Controller of Audit report, and combined any other outstanding findings from external audit, previous best value reports and external consultant reports into one Action Plan.

We have included a follow up on the Controller of Audit recommendations at Appendix E. Review of the nine recommendations have concluded that six are complete and three are in progress.

# 02 Introduction

# Introduction

## Scope of our audit work

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

This report is a summary of our findings from our external audit work for the financial year at Moray Council.  The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2024/25 have been:

- An audit of the Council and Group's annual report and accounts for the financial year ended 31 March 2025 [findings reported within this report];
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2021 ('the Code') [within this report];
- An audit of the Connected Charity annual report and accounts for the financial year ended 31 March 2025.
- Monitoring the Council's participation in the National Fraud Initiative (NFI); and
- Any other work requested by Audit Scotland.

Note that the following work is also required that is currently in progress:

- certification of Housing Benefits subsidiary claim. The audit deadline is by 30 November 2025, and work has commenced in September 2025.
- Certification of the NDR return (Non- Domestic Rates). The audit deadline is 10 October 2025. To date, we have carried out sample testing over reliefs granted during 2024/25, and will complete the remaining certification work in September 2025.

## Responsibilities

The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

## Audit approach

Our audit approach was based on a thorough understanding of the Council and is risk based, and in particular included:

- An evaluation of the Council's internal control environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

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# Introduction (2)

## Adding value through our audit work (continued)

We aim to add value to the Council throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward looking recommendations where we identify areas for improvement and encourage good practice around financial management, financial sustainability, risk management and performance monitoring. 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.

We delivered training to the finance team in April 2025 on the purpose and scope of external audit and provided detailed information on the nature of work we carry out as part of both the financial statements audit and our wider scope responsibilities.

We have also invited members of your financial reporting team to our annual Local Government Chief Accountants workshop and IFRS 16 webinar, both of which were led by our internal financial reporting technical team.

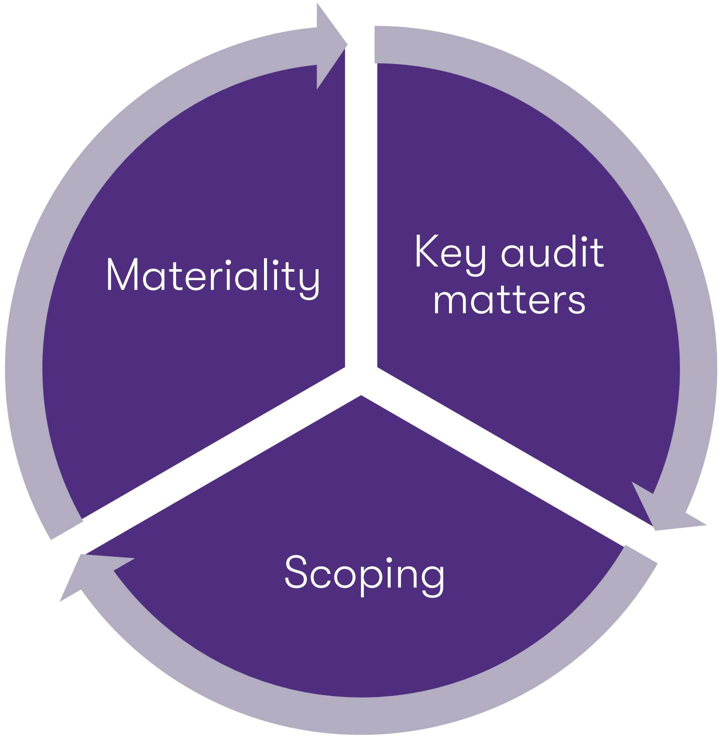
We provide the Council with relevant sector updates prepared by our financial reporting team throughout the year. For example, our recent publication on financial instruments and local government accounts.

We also look to bring forward audit testing where possible by performing an interim audit which was delivered in March 2025. Early testing covered NDR reliefs and payroll for the first nine months of the financial year. This helped provide a smooth and efficient audit process to support delivery for the year end audit.

# 03 Audit of the annual report and accounts

# Audit of the annual report and accounts

## Approach to the audit of financial statements



## Key audit matters and significant risks

The following significant risks/ key audit matters have been identified:

- Valuation of land, buildings and council dwellings (significant risk and key audit matter);
- Valuation of the defined benefit pension scheme (significant risk and key audit matter);
- Management override of controls (significant risk);
- Fraud in expenditure recognition (significant risk).

## Internal control environment

In accordance with ISA requirements, we have developed an understanding of the Council's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

## Recap of our audit approach and key changes in our audit strategy

We have not identified any changes in our approach since our Audit Plan was presented to the Audit and Scrutiny Committee on 07 May 2025. The risks identified remain the same.

The group scoping is as reported, with specific audit procedures performed over material balances for the Common Good and Trust Funds and analytical procedures in relation to the consolidation of the group bodies consolidated on a joint venture basis.

# Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our audit approach was set out in our audit plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2024/25 draft financial statements and concluded that materiality is £8.104 million for the Group (PY £8.583 million) and £7.678 million for the Council (PY £8.128 million), which equates to approximately 2% for the Group (PY 2%) and 1.9% for the Council (PY 1.9%) of your 2024/25 gross expenditure less IJB contributions of the Group and the Council.
- Performance materiality was set at £5.673 million (Group) (PY £6.008 million) and £5.374 million (the Council) (PY £5.690 million) representing 70% of our calculated materiality (PY 70%).
- We report to Officers (Management) any difference identified over £0.405 million (Group) and £0.384 million (the Council) representing 5% of our calculated materiality (PY £0.429 million and £0.406 million respectively).
- Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area of £25,000 (PY £25,000). We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus on the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

There is a change in materiality values since our final audit plan was communicated to you on 07 May 2025 as final gross expenditure for 2024/25 was used as the basis of the calculation.  The percentage chosen for higher materiality, performance materiality and triviality remains unchanged.

# Overview of the scope of our audit

The Council have a controlling interest in six subsidiary entities and three associate entities. The subsidiaries are the Common Good Funds and five Trust Funds whilst the associates are the Grampian Valuation Joint Board, Moray Leisure Limited and Moray Integration Joint Board.

We performed a risk-based audit that requires an understanding of the group's and the Council's business and in particular matters related to:

## Understanding the group, the Council, and its components, and their environments, including group-wide controls

The engagement team obtained an understanding of the Council, the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and Council only level;

## Identifying significant components

We evaluated the significance of each component of the group and determined the planned audit response based on a measure of materiality.

## Work to be performed on financial information of Council and other components (including how it addressed the key audit matters)

A full scope audit was performed on Moray Council. Specified procedures were performed over material balances for the Common Good and Trust Fund. An analytical approach for the entities consolidated as joint ventures was undertaken. No additional key audit matters were identified in group transactions.

## Performance of our audit

The full scope audit was conducted on the Council. Our work has covered all material balances and transactions in expenditure, income, assets, liabilities and reserves as well as other primary statements and disclosure notes.

The specific procedures for the Common Good and Trust Funds included testing of material balances of Property. Plant and equipment and cash balances within the common goods and trust funds consolidation, including any material reserves.

The analytical procedures for the consolidation of the joint ventures and associated accounting entries and reserves agreed the basis of the consolidation and the values to the other entity financial statements.

## Changes in approach from the previous period

There are no additional components in the group compared to 2023/24. There are no changes from our approach noted in our Audit Plan from 07 May 2025.

# Group audit approach

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient, appropriate evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component:

| Component | Scope - Planning | Scope - Final | Auditor | Status | Comments |
|---|---|---|---|---|---|
| Moray Council | 🟪 | 🟪 | Grant Thornton UK | ● Green | Our findings are summarised on pages 19-37. |
| Other Trust Funds and Common Goods Funds | 🟦 | 🟦 | Grant Thornton UK | ● Green | The audit team performed audit procedures on material balances relating to PPE, reserves and cash and cash equivalents. |
| Connected Charitable Trust Funds, Grampian Valuation Joint Board, Moray Leisure Board and Moray Integration Joint Board | 🟨 | 🟨 | Grant Thornton UK (except for Moray Leisure Board) | ● Green | We have not identified any issues from our analytical procedures undertaken. |

| | |
|---|---|
| Moray Council | Full scope audit procedures will be performed to component materiality by the group audit team. |
| See above | Audit of specified financial statement line items to component materiality by the group audit team. |
| See above | Out of scope components are subject to analytical procedures performed by the group audit team to group materiality. |
| Green | Planned procedures are substantially complete with no significant issues outstanding. |
| Amber | Planned procedures are ongoing / subject to review with no known significant issues. |
| Red | Planned procedures are incomplete and / or significant issues have been identified that require resolution. |

# Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Moray Council and its Group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2024/25 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the Audit and Scrutiny Committee, concerning the Council's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit and Scrutiny Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Council and its group financial statements to material misstatement, including how fraud might occur, by evaluating incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the Council's financial performance for the year and potential management bias in determining accounting estimates in relation to the valuation of land and buildings and the estimations in respect of the Council's defined pension liability. Our audit procedures are documented within our response to the significant risk of management override of controls below.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- The Council and its group operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- The Council's control environment, including the policies and procedures implemented by the Council to ensure compliance with the requirements of the financial reporting framework.

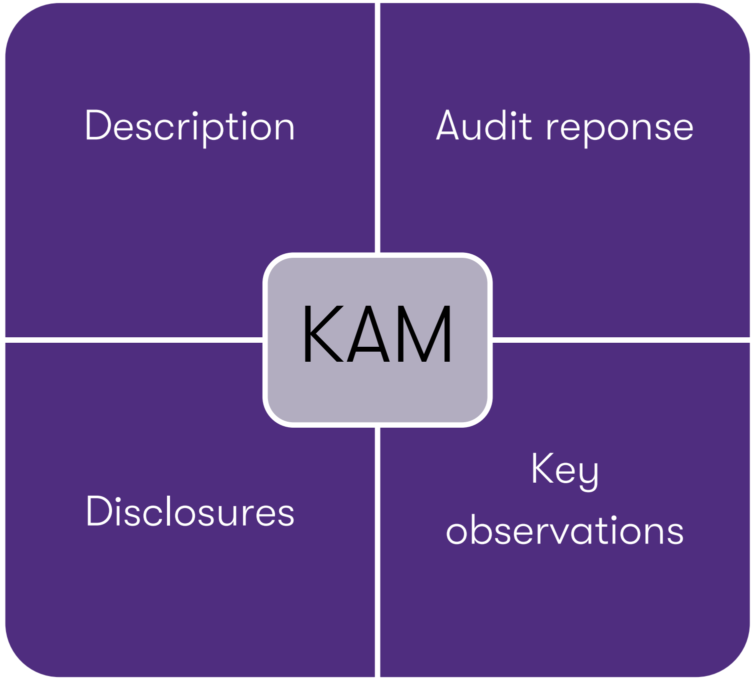
# Overview of audit risks

The table below summarises the key audit matters, significant and other risks discussed in more detail on the subsequent pages

| Risk title | Risk level | Change in risk since audit plan | Fraud risk | Key audit matter | Level of judgment or estimation uncertainty | Testing approach | Status of work to date |
|---|---|---|---|---|---|---|---|
| Management override of controls | Significant | ↔ | ✓ | × | Low | Substantive | ● Green |
| Valuation of land and buildings | Significant | ↔ | × | ✓ | High | Substantive | ● Green |
| Defined benefit pension scheme valuation | Significant | ↔ | × | ✓ | High | Substantive | ● Green |
| Completeness of expenditure and associated liabilities | Significant | ↔ | ✓ | ✓ | Low | Substantive | ● Green |
| IFRS 16 – Right of Use Assets | Other | ↔ | × | × | Low | Substantive | ● Green |

| | |
|---|---|
| ↑ | Assessed risk increased since Audit Plan |
| ↔ | Assessed risk consistent with Audit Plan |
| ↓ | Assessed risk decreased since Audit Plan |
| 🟢 | Not considered likely to result in material adjustment or change to disclosures within the financial statements |
| 🟡 | Potential to result in material adjustment or significant change to disclosures within the financial statements |
| 🔴 | Likely to result in material adjustment or significant change to disclosures within the financial statements. |

# Significant risks and key audit matters



Description

Audit reponse

KAM

Disclosures

Key observations

## Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the external audit plan.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and the Council's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters include those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Other risks

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

# Significant risks and key audit matters (2)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| **Management override of controls**<br>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.<br>Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions.<br>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement. | Group and the Council | In response to the risk highlighted we carried out the following work:<br>• Documented our understanding of and evaluated the design effectiveness of managements' key controls over journals.<br>• Analysed the full journal listing for the year and used this to determine our criteria for selecting high risk journals.<br>• Tested the high-risk journals we have identified.<br>• Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness<br>• Gained an understanding of key accounting estimates made by management and carried out substantive testing on in scope estimates.<br>• Evaluated the rational for any changes in accounting policies, estimates or significant unusual transactions.<br>**Conclusion**<br>Our work has not identified any material issues in relation to management override of controls. As the Council did not have journal authorisation processes in place during 2024/25, we were required to select a larger sample size due to the increased risk of fraud or error, in line with our audit methodology.<br>We are satisfied from our work performed that there has been no identified instances of management override of controls that would result in a material misstatement of the financial statements. |

# Significant risks and key audit matters (3)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| **Valuation of land and buildings**<br>In accordance with the CIPFA/LASAAC Code of Practice, except for initial recognition, Moray Council is required to hold property and property, plant and equipment (PPE) on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value except for Headquarters Campus buildings which are too large to be marketed as office accommodation and are measured at depreciated replacement cost as an estimate of current value. Council dwellings are determined using the basis of existing use value for social housing.<br>Moray Council employ an internal valuer to undertake a rolling programme of valuations across their asset base valuing land, buildings and council dwellings at least once every five years. In the intervening periods, the valuer performs a desktop review to assess the material accuracy of the assets not subject to formal revaluation. As at 31 March 2025, Moray Council held PPE of £1.299 billion including land and buildings of £0.493 billion and council dwellings of £0.404 billion.<br>**Continued on next page.** | Moray Council | In response to the risk highlighted we carried out the following work:<br>• evaluated management's processes and controls for the calculation of the valuation estimates, the instructions issued to their valuer and the scope of their work;<br>• evaluated the competence, capabilities and objectivity of the valuation expert;<br>• reviewed the response from the valuer confirming the basis on which valuations were carried out;<br>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;<br>• evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets were substantially tested to ensure the valuations were reasonable;<br>• tested a selection of other asset revaluations made during the year to ensure they had been input accurately into the Council's asset register, and the revaluations had been correctly reflected in the financial statements;<br>• evaluated the assumptions made by management for any assets not revalued during the year and how management had satisfied themselves that these valuers were not materially different to current value and<br>• for any assets not formally revalued, evaluated the judgement made by management or others in the determination of the current value of these assets. This included a review over the desktop valuation review of council dwellings.<br>**Continued on next page.** |

# Significant risks and key audit matters (4)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| **Valuation of land and buildings (continued)**<br>Given the significant value of the land, non-specialised buildings and council dwellings held by Moray Council, and the level of complexity and judgement involved in their estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets. However, the risk is less prevalent in other assets as these are generally held at depreciated historical cost, as a proxy of fair value and therefore less likely to be materially misstated. We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to last year and/or unusual approaches to their valuations, as a significant risk requiring special audit consideration. The risk will be pinpointed as part of our final accounts work, once we have understood the population of assets revalued.<br>We therefore consider this to be a significant risk to our audit and a key audit matter. | Moray Council | **Conclusion**<br>The financial amendments in the valuation of Property, Plant and Equipment resulted in balances being increased by £22.4 million from £1.277 billion to £1.299 billion.<br>The largest element was an increase of £12.884 million in the Council house valuation due to an updated desktop valuation. The desktop valuation used in the draft financial statements in relation to Council Dwellings was based on incorrect house price data. Following our review of the desktop valuation, we identified that a different input for the housing data should have been used by the valuer, resulting in a change to the valuation.<br>A further amendment of £10.060 million was processed due to an error in how the revaluation of assets had been input into the fixed asset register for Council Dwellings. This was an entirely separate issue to the actual valuation and was a result of how the revaluation had been accounted for in the asset register. We identified that the Revaluation Reserve had been incorrectly calculated, resulting in both the value of Council Dwellings and the Revaluation Reserve being understanded.<br>The final amendment identified was due to an asset being double counted in the valuation of Other Land and Buildings. Removal of this asset resulted in a decrease to both Other Land and Buildings and the Revaluation Reserve of £0.527 million.<br>Note 15, which is the disclosure note for PPE, required adjustment to accurately reflect the introduction of the Right of Use assets onto the Balance Sheet.<br>The Council prepare a revaluations table showing the timings of asset revaluations across the previous five years. The table included in the draft accounts had not been updated and amendments were processed to reflect the correct timings for revaluations. The information in the table now agrees to the main PPE note.<br>**Continued on next page.** |

# Significant risks and key audit matters (5)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| Valuation of land and buildings (continued) | Moray Council | **Conclusion (continued)**<br>We reviewed management's assessment that any Other Land and Building assets not revalued during 2024/25 are not materially different from their carrying value and did not raise any issues.<br>Our sample testing of valuations including a review of assumptions including floor areas did not raise any issues.<br>The Council appointed a new asset valuer during 2024/25. This was the first year the valuer was involved in our audit process and required additional time to respond to some of our audit requests. Furthermore, some of the responses we received that underpinned material assumptions required updates. We have been made aware that the valuer will be changing in 2025/26 and the requirements for audit will need to form part of the induction and understanding appreciating the significance for the audit. **We have raised a recommendation at Appendix B** that going forward, the finance team ensure communications with the valuer are commenced at an early stage and that the valuer is made aware of all tasks that are required to be completed to ensure an efficient audit.<br>In the previous audit, we identified that the Council do not prepare a revaluation reserve working paper which shows the balance held in the revaluation reserve and the movement on the reserve during the year. While we were able to obtain the required revaluation reserve information, the Council should prepare a separate working paper which shows all required information. We raised a recommendation in our previous audit that the Council should implement a revaluation reserve working paper, however this was not addressed during 2024/25. **The recommendation remains valid, and our follow-up can be seen at Appendix F.**<br>During our previous two audits, we have encountered issues with the reconciliation processes in place for the compilation of the PPE Note and an audit recommendation was raised as a result. This issue re-occurred in 2024/25, and we requested that the Council review and amend the Fixed Asset Register initially presented for audit. It should be standard practice that the Council ensure the Fixed Asset Register agrees to the financial statements and there should be a standard working paper presented for audit that balances. **We have rolled forward the recommendation raised in the prior year audit at Appendix F.** |

# Significant risks and key audit matters (3)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| **Defined benefit pension scheme valuation**<br>The Council participates in the North East Scotland Pension Fund (NESPF), a local government pension scheme. There is an established Pension Fund protocol in place with Pension Fund auditors to provide external auditors with relevant assurance.<br>The local government pension scheme is a defined benefit pension scheme and in accordance with IAS 19: Employee Benefits, Moray Council is required to recognise its share of the scheme assets and liabilities in its Statement of Financial Position.<br>In 2024/25, the Council applied the asset ceiling test as prescribed by IFRIC 14 which limited the measurement of a defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' The pension asset can be recognised as the lower of the net pension asset or the present value of any economic benefits available. The Council's actuaries undertook this assessment and the asset value in the accounts was reduced as the present value of the benefits available were lower than the pension asset. The net liability arising from the unfunded defined benefit obligation remained as there is no right to offset this.<br>**Continued on next page.** | Moray Council | In response to the risk highlighted we carried out the following work:<br>• evaluated management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work;<br>• evaluated the assumptions made by Hymans Robertson in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland;<br>• evaluated the data used by management's experts in the calculation of the estimates;<br>• performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations;<br>• assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements; and<br>• reviewed management's assessment of the application of IFRIC 14<br>• evaluated the response received from the NESPF auditor in line with the Audit Scotland Protocol for Auditor Assurances for Local Government Pension Schemes<br>**Continued on next page.** |

# Significant risks and key audit matters (3)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| **Defined benefit pension scheme valuation**<br>The Council's actuary, Hymans Robertson, provide an annual IAS 19 actuarial valuation of Moray Council's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and future salary projections. Given the material value of the scheme's gross assets and gross liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme net liability could be materially misstated within the financial statements. This risk is focussed on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and the suitability of these for the Council.<br>We therefore consider this to be a significant risk to our audit and a key audit matter. | Moray Council | **Conclusion**<br>The Council used a new actuary in 2024/25 (Hymans Robertson), and our procedures included a review over the information the Council provided to the actuary (and pension fund) on which the pension estimates were made. Furthermore, as part of our IAS 19 assurance protocol request, the auditor of the North East Scotland Pension Fund (NESPF) provided an evaluation of the design of the controls related to the accuracy and completeness of source data provided to the actuary, with no issues being raised.<br>Usually local government scheme (LGPS) pension liabilities calculated on an IAS 19 basis exceed any pension assets and members of the LGPS recognise a net pension liability on their balance sheet. However, a net defined benefit asset may arise where the defined benefit plan has been overfunded or where actuarial gains have arisen. This was the case for the Council, where the pension assets currently exceed pension liabilities by £277.225 million IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The pension asset can be recognised at the lower of the net pension asset or the present value of any economic benefits available.<br>The Council requested an IFRIC14 assessment from the actuary as part of the calculation of the pension figures in 2024/25, and the application of the asset ceiling has reduced the pension asset to nil. The Council continue to have a pension liability related to the unfunded elements of pensions which results in a liability of £9.606 million being recognised on the Balance Sheet. |

# Significant risks and key audit matters (6)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| **Fraud in expenditure recognition**<br>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:<br>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition".<br>Moray Council's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.<br>We therefore focus our risk on the completeness of non-payroll expenditure streams. Our testing will include a specific focus on year end cut-off arrangements, including consideration of the existence of accruals and provisions, in relation to non payroll/non finance expenditure for the single entity.<br>We therefore consider this to be a significant risk to our audit however do not consider this to be a key audit matter.<br>. | Moray Council | In response to the risk highlighted we carried out the following work:<br>• Evaluated the design and implementation effectiveness of the accounts payable system.<br>• Evaluated the design and implementation effectiveness of the system for recording accruals.<br>• Verified that the operating expenses included within the financial statements are complete via review of the reconciliations between the Accounts Payable system and the General ledger.<br>• Searched for unrecorded liabilities by performing a substantive sample test of invoices input on to the accounts payable system post period end.<br>• Searched for unrecorded liabilities by performing a substantive test of cash payments post period end.<br>**Conclusion**<br>Our work has not identified any material issues in relation to completeness of expenditure and associated liabilities. |

# Significant risks and key audit matters (7)

| Significant risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| **Fraud in revenue recognition**<br>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.<br>(Rebutted) | Group and the Council | Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and the Group, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted because:<br>• there is little incentive to manipulate revenue recognition.<br>• there is a low opportunity to manipulate other income since it is non-complex and there are sufficient controls in place to prevent and detect fraud from other income streams, we therefore believe that the risk of material fraud is low.<br>Therefore, we do not consider this to be a significant risk for the Council and the Group.<br>**Conclusion**<br>Our work has not identified any material issues in relation to revenue recognition. |

# Other risks identified

| Other risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| IFRS 16 – Right of Use Assets<br>In line with the Code of Audit Practice for Local Authority Accounting in the UK, Moray Council is required to adopt IFRS 16 Leases. 2024/25 will be the first year the Council will account for leases in line with IFRS 16.<br>Under IFRS 16, a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2025.<br>Further detail on the implications of this Accounting Standard is set out at Appendix 4. | Moray Council | In response to the risk highlighted we carried out the following work:<br>• evaluated management's processes and controls for the introduction or right of use assets and associated liabilities into the Council's financial statements.<br>• reviewed the calculations for each right of use asset included on the Balance Sheet to confirm the asset and liability had been calculated in line with IFRS 16 guidance<br>• performed a completeness review over the operating leases included in the prior year accounts to confirm whether all relevant leases had been considered in accordance with IFRS 16<br>• reviewed the Council's peppercorn leases to confirm whether they had been considered in accordance with IFRS 16<br>• reviewed the disclosures included in the financial statements to confirm all expected disclosures had been input as outlined the Code of Audit Practice.<br>Conclusion<br>Our testing identified errors in the calculations of the right of use asset and the associated liabilities. Our completeness checks identified five leases that were not included as a right of use asset. If these asset were included, the impact would be an increase in the opening right of use asset figure of £1.123 million and an increase to the opening lease liability figure of £0.866 million. The Council have not adjusted the accounts for this issue as it is not material. We have reported as an unadjusted misstatement in Appendix A.<br>Our testing identified that the accounts did not adequately disclose the difference between the operating lease commitments at 31 March 2024 (discounted using the incremental borrowing rate) and the lease liabilities at the date of initial application. Additional disclosure was added to the accounts to reflect this.<br>**Continued on next page.** |

# Other risks identified

| Other risks identified in our Audit Plan | Risk relates to | Commentary |
|---|---|---|
| IFRS 16 – Right of Use Assets (continued) | Moray Council | Our testing identified that the accounts did not adequately disclose the lease liabilities which were recognised in the balance sheet at the date of initial application. The accounts have been amended to clearly state the lease liabilities at date of initial application (£93.046m) and changes during the year as a result of additions, revaluations and depreciation.<br>We identified that the Council as a lessor disclosure did not contain all applicable leases, as there were several leases incorrectly excluded from the calculation due to a formula driven error in the operating lease working paper. The Council have amended the operating lease disclosure which resulted in the future minimum lease payments receivable under non-cancellable leases in future years increasing by £14.248 million to £61.480 million.<br>We also identified that the operating lease lessor disclosure was not in line with Code section 4.2.4.20 which requires undiscounted lease payment for each of first five years and the total of amounts for remaining years. The Council amended the disclosure to ensure it was compliant with the Code. |

# Other areas impacting the audit

| Issue | Commentary | Conclusion |
|---|---|---|
| **Nil net book value assets**<br>The Council's asset register includes £11.952 million of assets with a nil net book value that are fully depreciated. | There are two risks in relation to this issue:<br>• if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; and<br>• if these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its plant and equipment assets.<br>The potential impact of these risks is that the gross cost and accumulated depreciation disclosed Property, plant and equipment is overstated. | This issue was raised in our previous audit, and the Council have made good progress in removing assets from the Fixed Asset Register. The Council still require to review other asset classes and will be continuing this review in 2025/26 as part of an asset verification exercise.<br>The Council has completed an asset verification exercise during 2024/25, with the Council requesting confirmation whether an asset remained in use. The verification exercise resulted in 187 assets being derecognised during 2024/25 with a value of £13.448 million.<br>We carried out sample testing over assets that continue to be held at nil NBV and confirmed all assets were confirmed by the relevant service area that they were still in use.<br>There is no impact upon the balance sheet as the balances are held at nil.  Any impact of any assets not held would be in the classification in the Property, Plant and Equipment note only.<br>We have raised a recommendation at Appendix B that the asset verification exercise should be implemented as a business-as-usual activity going forward so that the balance of assets held at Nil NBV does not increase about materiality levels in the future.<br>We have requested representation on this matter within the letter of representation.<br>We have provided an update on the prior year recommendation at Appendix F, which has now been closed as it has been superseded by the new the recommendation raised. |

# Financial statements – key judgements and estimates

As required in the Council's accounting policies, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgments in line with the enhanced requirements for auditors.

## Assessment

🔴 - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated.

🟠 - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic.

🟡 - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious.

🟢 - We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

# Financial statements – key judgements and estimates (3)

| Significant judgement or estimate | Summary of management's approach | Audit comments | Assessment |
|---|---|---|---|
| Property, Plant and Equipment: Depreciation including useful economic lives (UEL) - £41.433 million | Note 15 outlines the Council's approach to depreciation.<br>Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable useful life (i.e., land and certain community assets) and assets that are not yet available for use (i.e., assets under construction).<br>Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets except for vehicles, where the calculation is pro-rata based on the month of acquisition.  In the year of disposal, no depreciation is charged.<br>Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. | We examined the estimate, considering the:<br>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.<br>**Conclusion**<br>We were satisfied with the methodology for the calculation of the depreciation charge.<br>Note the findings on page 30 regarding the number of nil net book value assets which the Council need to review in future years. | 🟩 We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

# Financial statements – key judgements and estimates (4)

| Significant judgement or estimate | Summary of management's approach | Audit comments | Assessment |
|---|---|---|---|
| Provisions for debt impairment -<br>£18.012 million | The Council is responsible for calculating the allowance for impaired debt based upon the latest information about collectability of debt.<br>There is not a requirement in the CIPFA Code to disclose the full amount of impaired debt within the disclosures in the debtors note. The requirement is to disclose the local taxation which forms part of the total.<br>The local taxation element of the allowance for impaired debt is £16.780 million as disclosed in Note 22. | We examined the estimate, considering the:<br>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.<br>**Conclusion**<br>We were satisfied with the methodology for the calculation of the allowance. | 🟩 We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

# Financial statements – key judgements and estimates (5)

| Significant judgement or estimate | Summary of management's approach | Audit comments | Assessment |
|---|---|---|---|
| Public Private Partnerships (PPP) and similar contracts<br>£94.104 million | Moray Council has a PPP for the construction, maintenance and operation of two schools in Keith and Elgin.  There is also a design, build, finance and maintain (DBFM) scheme for a new school in Elgin.<br>These are accounted for under IRIC 12 Service Concession Arrangements, as interpreted by the FReM, as "on-balance sheet" by Moray Council.<br>The accounting models are updated annually to reflect actual charges and RPI. Future years' service costs are estimated based on the latest actual charges and current RPI rates. Interest and finance lease liability charges are unaffected by changes in RPI. | We reviewed your assessment of the estimate considering:<br>• review of key assumptions input into the accounting models;<br>• use of specialist software to gain assurance that the HUB model has been appropriately updated for the period ended 31 March 2025;<br>• agreeing that accounting entries from the accounting model have been accurately recorded in Moray Council's accounts.<br>**Conclusion**<br>We are satisfied in the calculation and disclosure of the public private partnerships and similar contracts.<br>The financial statements at Note 40 disclose all the required information. | 🟩 We consider management's process is appropriate and key assumptions are neither optimistic or cautious |

# Financial statements – key judgements and estimates (6)

| Significant judgement or estimate | Summary of management's approach | Audit comments | Assessment |
|---|---|---|---|
| Annual Leave Accrual<br>£5.756 million | Moray Council accrues for annual leave expenditure to ensure that all expenditure due to be accrued in the financial year, not yet been taken and effectively paid, is reflected within the financial statements.<br>The Council base the estimate upon a sampled approach of outstanding leave in each department and extrapolate the findings across the whole population. | We reviewed your assessment of the estimate considering:<br>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.<br>Conclusion<br>We were satisfied with the methodology for the calculation of the annual leave accrual. | 🟩 We consider management's process is appropriate and key assumptions are neither optimistic or cautious. |

# Financial statements – key judgements and estimates (7)

| Significant judgement or estimate | Summary of management's approach | Audit comments | Assessment |
|---|---|---|---|
| Fair value of assets and liabilities (financial instruments<br>Financial assets:<br>£35.175 million<br>Financial liabilities:<br>£345.737 million | Financial liabilities and financial assets represented by current and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. | We reviewed your assessment of the estimate considering:<br>• ISA (UK) 540 requirements; and<br>• appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate.<br>Conclusion<br>We are satisfied with the methodology for the calculation of the financial assets and liabilities. | 🟩 We consider management's process is appropriate and key assumptions are neither optimistic or cautious. |

# Other key elements of the financial statements

There were other key areas of focus during our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice (2021) or ISAs or due to their complexity or importance to the user of the accounts:

| Issue | Commentary |
|---|---|
| Matters in relation to fraud and irregularity | It is the Council's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding the Council's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures that are outside of the usual expected investigations. |
| Accounting practices | We have evaluated the appropriateness of Moray Council's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix A. |
| Matters in relation to related parties | The Council discloses its related party transactions at Note 36 of the accounts. We identified that the Council incorrectly included two funding contributions to bodies which did not meet the definition of related parties which were subsequently removed from the accounts.<br>We are not aware of any other related parties or related party transactions which have not been disclosed. |
| Matters in relation to laws and regulations | We have not been made aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at the Council. |
| Other information | We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Minor amendments have been made to the Annual Report and we are satisfied that there are no unadjusted material inconsistencies to report. |

# Other key elements of the financial statements (2)

| Issue | Commentary |
|---|---|
| Governance statement | We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).<br>No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect. |
| Matters on which we report by exception | We are required by the Accounts Commission to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters. |
| Written representations | A letter of representation has been requested from the Council as required by auditing standards. Additional representation was sought regarding the nil net book assets and the impact of unadjusted misstatements. |

# Other responsibilities under the Code

| Issue | Commentary |
|---|---|
| Going concern | In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.<br>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach.<br>In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management's (senior officer's) assessment of the appropriateness of the going concern basis of accounting and conclude that:<br>• a material uncertainty related to going concern has not been identified<br>• management's (senior officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |
| National fraud initiative | The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including Moray Council, receive matches for investigation.<br>The Council has put processes and arrangements in place to investigate matches and appropriate personnel are involved in the process.<br>The Council received their NFI matches for the 2024/25 exercise in December 2024. The total number of matches identified for investigation was 3,322. The Council have cleared 1,047 of the matches and to date have identified no errors or frauds. We will be carrying out a detailed review over the Council's response to the 2024/25 exercise as part of our 2025/26 audit. |

# Other responsibilities under the Code (2)

| Issue | Commentary |
|---|---|
| WGA Return | For local government audits we are required to complete Whole of Government Accounts (WGA) work, and provide an assurance statement on Moray Council's WGA return as mandated by National Audit Office. The audit guidance outlines that the deadline for submission of data is 29 August 2025 however this was not be met by the Council. Based upon previous years, it is not expected that Moray Council would exceed Audit Scotland's prescribed testing threshold. We will complete the relevant specified procedures and prepare and submit a partial assurance statement once we have completed all our work on your financial statements, and when the final guidance is received. |
| Other returns to Audit Scotland | In accordance with the Audit Scotland Planning Guidance, as appointed auditors we have prepared and submitted Fraud Returns and Current Issues Returns to Audit Scotland, sector annual reports, shared intelligence on health and social care, sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect. |
| Grants | In accordance with Audit Scotland planning guidance, as appointed auditors we undertake grant certification work on behalf of the Council. For 2024/25 we are required to provide the following certifications:<br>• National Non-Domestic Rates Income Return (NDR) and<br>• Housing Benefit certification<br>We anticipate that our work on the grant claims will be concluded by the 30 November 2025 deadline for Housing benefits, with work starting in September 2025. We anticipate work on NDR will be complete by the 10 October 2025, with work carried out in September 2025. |

# Other responsibilities under the Code (3)

| Issue | Commentary |
|---|---|
| Section 106 Charities | The 2006 Regulations require charities to prepare Annual Accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.<br>Our audit appointment as the Council's auditor includes the audit of any trust funds falling within Section 106 of the Local Government (Scotland) Act 1973 that are registered charities. For Moray Council we have therefore been appointed as auditors of the connected charitable trust funds. The Council acts as sole trustee for eight Connected Charity Trust Funds listed below which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR):<br>• Moray and Nairn Educational Trust<br>• Keith Poor Householders Fund (Keith Nursing Trust Fund)<br>• Castlehill Trust<br>• Grant Park Trust<br>• George Boyd Anderson Bequest<br>• Mr & Mrs William J Watt Dufftown Food Fund<br>• Robert Young Trust<br>• The Moray Council Charitable Trust<br>Due to the number of transactions in the Connected Charity we carry out 100% verification. There are no matters arising that we need to bring to your attention. The financial statements were presented on time, to a good quality level with referenced supported working papers.<br>Work is complete, and **we issued an unmodified opinion on 24 September 2025** after approval by full Council received on 24 September 2025. We did not require any additional representation in the Letter of Representation for the Charity.<br>The audit fee for this work is outside of the main fee and is £7,190, which is the same fee as set out in our Audit Plan presented to the ASC meeting on 07 May 2025. |

# Other findings – other matters

| Other Matter | Commentary | |
|---|---|---|
| Infrastructure Assets | In accordance with the temporary relief offered by Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets, and extended by Finance circular 8/2024, the 2024/25 accounts did not include disclosure of gross cost and accumulated depreciation for infrastructure assets. This is due to historical reporting practices and resultant information deficits meaning the asset position would not be accurately presented in the financial statements.<br>The Statutory Override is temporary, and whilst it will continue to apply in 2025/26, the Council need to ensure their records are up-to-date and in a position where they could disclose the correct information in the accounts if required.<br>Note: The statutory override has been extended in Scotland until 31 March 2027. We had raised a recommendation in our previous audit that the Council should review their accounting for Infrastructure Assets, on the expectation the override would end in 2024/25. Whilst this is no longer the case, the recommendation raised remains valid and the Council must ensure it has adequate processes in place to account for its Infrastructure Assets when the statutory override is no longer in place. | The Council should review its accounting records for Infrastructure Assets and ensure they are up-to-date and have all required information |

# Other findings – information technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

| IT application | Level of assessment performed | Overall ITGC rating | ITGC control area rating – security management | ITGC control area rating – technology acquisition, development and maintenance | ITGC control area rating – technology infrastructure | Related significant risks / other risks |
|---|---|---|---|---|---|---|
| General ledger | ITGC design, implementation and operating effectiveness. | ● Green | ● Green | ● Green | ● Green | All significant risks |
| Payroll | ITCG design and implementation effectiveness only. | ● Green | ● Green | ● Green | ● Green | N/A |
| Fixed Assets | ITCG design and implementation effectiveness only. | ● Green | ● Green | ● Green | ● Green | Property, Plant and Equipment |

## Assessment

● - Significant deficiencies identified in IT controls relevant to the audit of the financial statements.
● - Non-significant deficiencies identified in IT controls relevant to the audit of the financial statements / significant deficiencies identified with sufficient mitigation of risk.
● - IT controls relevant to the audit of financials statements judged to be effective at the level of testing in scope.
● - Not in scope for testing

# 04 Wider scope and best value conclusions

# Wider scope conclusions

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to wider scope work. Within our audit plan we identified one significant risk in respect of financial sustainability and two potential significant risks in respect of financial management and vision, leadership and governance.

| Wider scope area | Our risk considerations and focus | Significant risk identified - final stage | | Wider scope conclusion |
|---|---|---|---|---|
| Financial Management | The arrangements in place at the Council to ensure sound financial management, accountability and the arrangements to prevent and detect fraud, error and other irregularities | No | 🟩 | The Council have made improvements to financial management arrangements, with the financial monitoring reports providing regular updates on savings progress and clear reconciliations of budget movements during the year. As planned, the Council utilised reserves balances to manage the funding deficit in 2024/25.<br>The Council made significant amendments to the Capital Plan during 2024/25 due to re-profiling of capital expenditure. The Council have introduced three-year capital planning to address ongoing slippage issues and need to ensure that the capital budget is realistic. |
| Financial Sustainability | The projected financial position of the Council in the medium to longer term and the relevance and appropriateness of assumptions applied to financial plans that will allow the council to effectively deliver services in the future | Yes | 🟥 | The Council have agreed the 2025/26 revenue budget without the planned use of reserves balances. Efficiency savings of £7.9 million need to be delivered during the year to achieve financial balance. Looking ahead, the Council need to identify a further £3 million of savings as part of the short to medium term financial strategy. The Council's Medium to Long Term Financial Strategy confirms that significant savings will be required to bridge the projected funding deficit over the longer term and the Council must identify ways to alleviate the significant budget gap over the life of the strategy. |
| Vision, Leadership and Governance | The effectiveness of the Council's governance arrangements and the arrangements in place to deliver the vision, strategy and priorities set by the council | No | 🟩 | The Council has made improvements to its governance arrangements and suitable arrangements are in place. There is evidence that members are working together more collaboratively, as evidenced by the 2025/26 Revenue Budget being agreed cross party, following similar agreement for the 2024/25 budget. The Council have refreshed the annual performance reporting, with live data for the key performance indicators accessible on the Council's website. |
| Use of Resources to Improve Outcomes | How the Council demonstrates economy, efficiency and effectiveness through its use of financial and other resources | No | 🟨 | The Council has appropriate arrangements to report outcomes against Council priorities. Overall performance is showing a decline in recent years, and while some key performance indicators are improving, there are more indicators where performance in deteriorating. There are less indicators in the top two quartiles of LGBV performance data than in previous years. The Council are yet to achieve the Scottish Government target that 1% of a local authority's budget is allocated via Participatory Budgeting. |

🟢 No risks identified
🟡 Other risks identified.
🔴 Significant risk identified.

# Wider scope audit – financial management

The risk below was included in the Annual Audit Plan. The narrative is the wording from the Audit Plan and identifies the work we would undertake in response to the risk identified. Pages 47 to 52 details the work undertaken in response to the assessed risk and we have outlined our overall conclusion below.

| Potential significant risk identified in audit plan (narrative from Audit Plan) | Response to potential significant risk (planned work in Audit Plan) | Conclusion on potential significant risk |
|---|---|---|
| Strong budgetary control is essential in any local authority. Where savings plans are required, they should be detailed and progress on their attainment regularly reported to Officers and Members. Financial forecasts must be accurate and regularly updated in order that effective decisions can be made.<br>When the 2024/25 budget was approved, the Council projected a budget deficit of £19.196 million. The Council's plan to achieve financial balance was through the agreement of a savings plan totalling £8.971 million, with the remaining £10.225 million being funded from working reserves. Further efficiency savings were identified following the agreement of the budget, with the final planned savings for the year totalling £12.473 million.<br>The Council has a history of planning and using free reserves to balance the budget.  In order to address this, the Council approved a Short to Medium Term Financial Strategy (2024-25 – 2026/27) in June 2024.  The Strategy aimed to remove the reliance on reserves to balance the budget for 2025/26 and future years. Following approval of the 2025/26 Revenue Budget in February 2025, it was confirmed the there is no forecast use of reserves in 2025/26.<br>Several financial management recommendations were made in the 2023/24 Annual Audit Report in October 2024.  As assessment over the implementation of these recommendations will be completed as part of our year end audit procedures.<br>There is potentially a risk that budgetary control and financial management information for members is not consistent for effective decision making. | Our audit work included:<br>• reviewing financial forecasting and reporting arrangements for timeliness and accuracy.<br>• reviewing and considering the accuracy of financial reporting (revenue and capital) as well as the narrative accompanying financial reports to Members.<br>• review and monitoring progress against the savings plans identified for 2024/25 and beyond considering the level of detail that was provided to Members.<br>• following up the recommendations raised in the 2023/24 Annual Audit Report, including those raised in the Controller of Audit Report. | We have concluded that there is no longer a potential significant risk in relation to financial management.  The Council have resolved several previous audit recommendations in this area.<br>The Council have made improvements to the financial management reporting arrangements during 2024/25. This has included the use of tabular information to make the financial position clearer, timely updates on savings progress and reconciliations of budget movements during the year.<br>The Council delivered significant savings during the year as outlined in the planned budget. A portion of savings planned for delivery in 2024/25 has been deferred and included in the 2025/26 savings plan.<br>The Council made significant amendments to the Capital Plan during 2024/25 due to re-profiling of capital expenditure.  The Council needs to ensure that the capital budget agreed in advance of the financial year is realistic. An improvement recommendation has been made. |

# Wider scope audit – financial management (2)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| **Financial management**<br>Potential significant risk identified. | Financial Management Arrangements<br>The Council has a suite of financial monitoring reports that are presented to Members throughout the year. The outturn against the revenue budget is reported on a quarterly basis, with a final outturn report being delivered following the end of the financial year.  All in-year financial information is reported on a regular and timely basis and there several supporting appendices to the monitoring reports which provide detail on a service level basis, changes made to budget during the year and progress against the savings delivery plans.<br>In the prior year audit, we identified that the financial monitoring reports could be refreshed to ensure the reporting was in a reader friendly format.  In response, the Council have made amendments to the format of the monitoring reports presented to committee following a consultation process with Members. This included amendments to the final outturn report provided at year end which reviews the year-end financial position, alongside greater clarity on the progress on savings delivery. The response to the prior year recommendations are set out at Appendix F to this report.<br>The Council have a suitably qualified and experience senior financial officer leading the finance team. In the previous audit, due to staff turnover we recommended that the Council should ensure the finance team had a sufficient level of staff to cope with the demands of audit. There remains one vacant post within the finance team, and successive recruitment exercises have been unsuccessful. As part of the management restructure which commenced in April 2025, the Council has considered  the need for additional finance team capacity with additional posts created and recruitment is now underway.<br>Financial Performance - Revenue Arrangements<br>The Council approved the revenue budget for 2024/25 and the financial plan for 2024 - 2027 at the Council meeting on 28 February 2024.  The budget outlined a shortfall of £10.2 million in 2024/25, with the planned gap to be funded from reserves.<br>A revised budget was presented to the Council in June 2024 which confirmed revised expenditure of £289.191 million and revised income was £278.002 million. The actual general services expenditure for 2024/25 totalled £289.754 million, which resulted in an overspend against the revised budget of £1.007 million. Earmarked reserves of £12.259 million were used to balance the budget in 2024/25. | The Council have made improvements to the financial management reporting arrangements during 2024/25. This has included the use of tabular information to make the financial position clearer, timely updates on savings progress and reconciliations of budget movements during the year. |

# Wider scope audit – financial management (3)

**Wider scope area** | **Wider scope audit response and findings** | **Conclusion**

**Financial management (continued)**

Throughout the year, the budget and projected outturn have been reported to Members and updated for known changes. As was the case in previous years, the original budget set on 28 February 2024 does not report by service. This is not reported until the first Quarter 1 monitoring report, which was presented to the Corporate Committee on 27 August 2024. The changes to the budget during the year are reflected in the table below:

| | Quarter 1 (£m) | Quarter 2 (£m) | Quarter 3 (£m) | Quarter 4 (£m) | Actual (£m) |
|---|---|---|---|---|---|
| General Services Expenditure | 281,200 | 281,941 | 286,636 | 288,747 | 289,754 |

The details of over and underspends against the quarterly budget is set out in great narrative detail. In the prior year, we recommended that the Council review the format of their monitoring reports and suggested a tabular format with limited commentary should be introduced. The Council has amended the format of revenue and capital monitoring reports following consultation with members and summaries of financial information in table form have been reinstated. There continues to be detailed narrative reporting, however the Council do not wish to move away from this level of detail.

Details on budget movements are provided in two appendices to the monitoring report. Appendix three shows the reconciliation of the movements in the base budget from that which was approved by the Moray Council on 28 February 2024 and Appendix four shows the allocations to departments from the provisions for Inflation and Contingencies, Additional Costs and Savings. Both appendices are referenced in the report and set out budget movements, changes in provisions, savings and additional costs all referencing the committee/council meeting that approved the change. This appendix clearly ties into the narrative report. We have noted that both appendices are not produced as part of the final outturn reporting.

**Conclusion**

2024/25 budget processes followed appropriate governance processes.

Reporting to members during the year identified movements in budget and provided a reconciliation in the movement in budget since previous reporting.

# Wider scope audit – financial management (4)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| **Financial management (continued)** | The table below shows the Council's outturn position for the year. The Council had total expenditure of £289.754 million against a final budget of £288.747 million, resulting in an overspend against budget of £1.007 million. This was managed in year through the use of reserves. | The Council used £12.3 million of earmarked reserves balances during 2024/25 to manage the funding deficit. |

| 2024/25 Financial Outturn | Revised Budget (£m) | Actual (£m) |
|---|---|---|
| Departmental expenditure | £264.795 | £260.974 |
| Loans Fund expenditure | £22.353 | £28.780 |
| Additional provisions | £1.600 | - |
| **Total expenditure** | **£288.747** | **£289.754** |
| Scottish Government Grant income | (£225.659) | (£225.659) |
| Council Tax income | (£51.854) | (£51.836) |
| **Total income** | **(£277.513)** | **(£277.495)** |
| Use of earmarked reserves | (£11.234) | (£12.259) |
| **Total income including reserves** | **(£288.747)** | **(£289.754)** |

# Wider scope audit – financial management (5)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Financial management (continued) | **Financial Performance - Savings** | The Council delivered significant savings during the year as outlined in the planned budget. A portion of savings planned for delivery in 2024/25 has been deferred and included in the 2025/26 savings plan.<br>The reporting of savings improved during 2024/25, and the final outturn provided a detailed breakdown of savings delivered on an individual basis. |

To balance the 2024/25 budget, recurring savings of £9.258 million were approved at the time of budget setting, alongside £1.216 million of savings carried forward from 2023/24. During the year, an additional £2.959 million of savings were approved, with savings allocated to departmental budgets during the year. Overall, the approved savings for 2024/25 totalled £13.433 million.

The year-end outturn report, presented to Council on 25 June 2025, provides an overview on the savings delivered during 2024/25 split by service:

| | Actual (£m) |
|---|---|
| Savings Delivered (Green) | 11.240 |
| Savings Deferred (Amber) | 1.066 |
| Savings Not Delivered (Red) | 1.127 |
| Total | 13.433 |

Achieved savings totalling £11.240 million are classed as green, £1.066 million classed as amber have been deferred to future years, and £1.127 million classed as red were not delivered. All savings delivered in year were deemed to be recurring in nature.

The year-end outturn report also provides a breakdown of each individual saving across services. This level of reporting can also be seen during the year, with a breakdown of savings progress presented as part of the revenue monitoring reports presented to Council.

There has been a notable improvement on the reporting of savings to Council during the year, and the introduction of the year-end savings analysis report provides a good overview of the Council's overall delivery of savings during the year.

# Wider scope audit – financial management (6)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Financial management (continued) | See below | The Council made significant amendments to the Capital Plan during 2024/25 due to re-profiling of capital expenditure to future years. |

**Financial performance – capital**

The Council has an approved Capital Strategy which is updated annually and underpins the setting of a three-year capital plan as part of the revenue budget process (2024/25 was the last version of the capital plan which covered only one financial year). More detail on the Capital Strategy is the financial sustainability section of this report.

The Council approved the Capital Plan for 2024/25 on 24 January 2024. The initial agreed Capital Plan totalled £49.662 million. The Council approved several significant amendments to the Capital Plan as the year progressed. The amendments in the capital forecasting throughout the year were well documented, with clear reasoning behind the changes being made. The amendments during the year are reflected in the table below:

| | Initial Budget (January 2024) £m | At 31 September 2024 £m | At 31 December 2024 £m |
|---|---|---|---|
| Capital Plan – Planned Expenditure | 49.662 | 43.350 | 30.268 |

The final year-end actual outturn was £27.219 million, an underspend of £3.049 million compared to the amended capital plan at 31 December 2024. This represented a delivery rate of 90% of the amended capital plan. However, the year-end slippage of 10% was only as a result of the changes made in year to the budget, the year end outturn was significantly different to the initial planned budget.

The changes made to the capital plan during the year impacted the level of prudential borrowing required to fund the capital expenditure for 2024/25. In the initial Capital Plan approved in January 2024, the Council estimated a funding requirement of £41.720 million to deliver the total programme of planned expenditure. At 31 December 2024, the borrowing requirement reduced to £15.691 million due to the amendments made to the Capital Plan during the year. The actual borrowing required to fund the capital programme for 2024/25 totalled £9.290 million.

# Wider scope audit – financial management (7)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Financial management (continued) | **Financial performance – capital (continued)** | The Council needs to ensure that the new approach to capital planning reduces the need to make significant amendments to capital budget during the financial year.<br>The Council needs to ensure that the capital budget agreed in advance of the financial year is realistic. |

**Financial performance – capital (continued)**

The Council have a history of re-profiling capital expenditure during the financial year due to capital plans being overly ambitious at the start of the year. The table below shows a comparison between the approved capital plan and the year-end capital outturn in recent years.

| | Budgeted Capital Expenditure £m | Actual Capital Expenditure £m |
|---|---|---|
| 2022/23 | £51.430 | £28.360 |
| 2023/24 | £59.200 | £30.270 |
| 2024/25 | £49.662 | £27.219 |

The Council have recognised there is an issue in capital planning, which results in the significant amendments to the profile of the capital plan during the year. Feedback from Budget Managers has outlined that a single year capital plan is too restrictive, creating a reluctance to commit to preliminary spend prior to the start of a year. This resulted in underspends and the need for budgets to be carried forward into future years.

From 2025/26 onwards, the Council are changing to a three-year planning approach for capital. It is anticipated that budget managers will be more realistic in terms of spend profiles and lengthen the period over which capital is spent. Annual revisions to the capital programme will continue to be carried out to reflect any additional funding or other changes to the capital programme.

We have reviewed an advance copy of the 2025/26 Quarter 1 Capital Monitoring report. Despite the changes to capital planning, the budgeting issues have continued to arise during 2025/26, with significant changes being made to the capital budget. The Council must ensure that the capital budget set in advance of the financial year is realistic, reducing the need for significant budget amendments in the first months of the financial year. **See recommendation 1 at Appendix C.**

# Wider scope audit – financial sustainability

The risk below was included in the Annual Audit Plan. The narrative is the wording from the Audit Plan and identifies the work we would undertake in response to the risk identified. Pages 54 to 61 details the work undertaken in response to the assessed risk and we have outlined our overall conclusion below.

| Potential significant risk identified in audit plan (narrative from Audit Plan) | Response to potential significant risk (planned work in Audit Plan) | Conclusion on potential significant risk |
|---|---|---|
| Like all Scottish local authorities, Moray Council continue to face unprecedented financial pressures. In its 2025/26 Revenue Budget, approved by Full Council in February 2025, the Council confirmed that efficiency savings totalling £10.905 million would be required over the next three years (2025/26 – 2027/28) in order to achieve financial balance. The Council approved £7.889 million of savings for 2025/26 and £1.021 million for financial years 2026/27 and 2027/28. A further £1.995 million of savings need to be identified. Delivery of these savings will be critical in ensuring the Council can achieve financial balance in the medium term.<br>The Council prepare a Medium to Longer Term Financial Strategy (2025/26 – 2034/35) (MTLFS) document which was approved by the Council in December 2024. The MTLFS was prepared in advance of the agreement of the 2025/26 Revenue Budget, meaning the projections have since been updated, however it showed the level of challenge the Council is likely to face in the coming years.<br>The MTLFS is based on optimistic, average and pessimistic assumptions and the budget gap could range from a budget surplus of £28.6 million to a budget deficit of £107.5 million. The mid range projections show a total budget gap of £41.365 million over the 10-year period to 2034/35 and the Council will need to identify new approaches to manage this gap over the longer term.<br>There is a risk that transformation and savings plans to address financial pressures for medium to longer term are not sufficient to address future funding gaps and increasing deficits. | Our audit work included:<br>• Reviewing how the council identifies significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans.<br>• Reviewing how the council plans to bridge its funding gap and identify achievable savings and future transformation.<br>• Reviewing how the council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.<br>• Reviewing how the council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.<br>• Reviewing how the council sets longer term financial plans and capital investment to deliver on priorities and how they determine their affordability.<br>• Following up the recommendations raised in the 2023/24 Annual Audit Report, including those raised in the Controller of Audit Report. | We have concluded that the significant risk of weakness in the wider scope area of financial sustainability remains.<br>The MTLFS projects the medium to longer term financial position of the Council and confirms that significant savings will be required to bridge the projected funding deficit. The Council must identify ways to alleviate the significant budget gap over the life of the MTLFS.<br>The Council have agreed the 2025/26 budget without the planned use of any reserve's balances. However, the budget includes £7.9 million of savings which need to be delivered during the year in order to achieve financial balance. Looking ahead, the Council need to identify a further £3 million of savings as part of the short to medium term financial strategy |

# Wider scope audit – financial sustainability (2)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| **Financial sustainability**<br>Significant risk: There is a risk that transformation and savings plans to address financial pressures for medium to longer term are not sufficient to address future funding gaps and increasing deficits | **Short Term Financial Planning – Budget Setting 2025/26**<br>The 2025/26 budget was approved by the Council on 26 February 2025. The Council set a balanced budget and there is no planned use of earmarked reserves in year to balance the budget. This is the first time in several years the Council presented a balanced budget without the planned use of any reserves. The Council also set indicative budgets for 2026/27 and 2027/28 as part of the budget approval.<br>The Council approved revenue expenditure of £302.085 million and have confirmed funding of £294.196 million, resulting in a savings requirement of £7.889 million. All savings requirements for 2025/26 have been approved by members as part of the budget setting process. The table below outlines the cumulative funding gap over the three-year period: | The Council agreed the 2025/26 budget without the planned use of any reserve's balances to balance the budget. |

| | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|
| Planned revenue expenditure | £302.085 | £303.622 | 310.924 |
| Planned revenue funding | (£294.196) | (£301.735) | (309.795) |
| Savings required | (£7.889) | (£1.887) | (£1.129) |
| Savings agreed | £7.889 | £1.020 | £0.006 |

To achieve financial balance, efficiency savings totalling £10.9 million are required over the next three years (2025/26 – 2027/28). As part of the budget setting process, the Council have approved £7.9 million of savings for 2025/26 and £1.026 million for financial years 2026/27 and 2027/28. The Council aim to identify the remaining savings for 2026/27 and 2027/28 during 2025.

The vast majority (98%) of the agreed savings are recurring in nature.

# Wider scope audit – financial sustainability (3)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Financial sustainability (continued) | **Short Term Financial Planning – Budget Monitoring 2025/26**<br>The Council presented the Quarter 1 revenue monitoring report to the Corporate Committee on 26 August 2025. The report provides an update on the Council's performance against the 2025/26 budget. The report also confirms movements in the total budget position and confirms the revised budget for 2025/26 is £296.443 million, an increase of £2.447 million from the approved budget.<br>The budget position at the end of June 2025 is an overspend against budget to date of £1.768 million. Approximately 77% of the overspend relates to an overspend in services provided by the Moray Integration Joint Board (IJB). The Moray IJB is projecting £4.850 million overspend by the end of the financial year, and the Council will be responsible for 47% of the deficit (in line with the Integration Scheme). The Council has made provision in its budget to cover an element of Moray IJB overspend (up to £3.4 million) and therefore there is provision in the budget to cover the projected overspend.<br>As outlined previously, savings of £7.889 million were approved when the budget was set. The monitoring report provides an update on progress towards achievement of savings and outlines:<br>• £0.597 million of savings are assessed as red and are highly unlikely to be achieved<br>• £1.604 million of savings are assessed as amber and are at risk of not being achieved or delayed into future years.<br>There is a risk that if the Council are unable to deliver these savings, they will require to fund any overspends from existing reserves balances. The Council should aim to identify alternative savings options which will enable them to achieve financial balance in 2025/26. | It is unlikely that the Council will deliver all required savings in 2025/26 and if possible, they should look for alternative options to help achieve a balanced budget. |

# Wider scope audit – financial sustainability (3)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Financial sustainability (continued) | <u>Short to Medium Term Financial Strategy</u><br>The updated short-to-medium term financial plan was approved by Council on the 25 June 2025. The Short to Medium Term Strategy sets out an approach towards closing this budget gap (based on the Medium to Long Term Financial Strategy). It outlines the risks and uncertainties which exist in the budget plans which would increase the budget gap if they were to materialise.<br>As outlined previously, when the budget for 2025/26 was approved by Council on 26 February 2025, a budget gap of £3.016 million was identified for financial years 2026/27 and 2027/28. For 2026/27, £1.020 million of savings were approved resulting in a residual budget gap of £0.867 million. These indicative budgets are the starting point for the Short to Medium Term Financial Strategy, with a focus on how these budget gaps will be removed.<br>The Strategy contains a sensitivity analysis of the potential impact of variances in key budget assumptions. The Strategy confirms that the working savings target for 2026/27 is set at £2.500 million. This is based on a 0.5% reduction in Scottish Government grant and a 0.5% increase in the cost of pay awards, as these are considered the highest risk variables, and is deemed to be a prudent approach. The total savings still to be identified for 2026/27 and 2027/28 totals £3.529 million<br>This overall savings target is significantly lower than the savings requirement the Council have needed to deliver in previous years. The Council have a history of delivering planned savings, and there are no indications that planned savings will not be delivered. However, there remains a risk to financial sustainability as government funding is susceptible to change and further budget pressures could be identified at any point.<br>It is clear the Council are looking to the longer term through some of the decision that are being made as part of the budgeting process. As part of the 2025/26 budget, the Council set Council Tax levels for 2025/26 but also agreed indicative increases for the following two financial years. A similar approach was used in the Housing Revenue Account (HRA) budget for 2025/26, with the Council agreeing a 6% house rents increase for the 2025/26 and each of the following two financial years. | The Council must identify the remaining £3.529 million of savings required to balance the three-year financial plan 2025/26 – 2027/28. |

# Wider scope audit – financial sustainability (4)

**Wider scope area**

**Wider scope audit response and findings**

**Conclusion**

**Financial sustainability (continued)**

**Medium to Long Term Financial Strategy (continued)**

The Medium to Long Term Financial Strategy (MTLFS) was approved by Council on 4 December 2024 and reflects the Scottish Government's medium term financial strategy and key population estimates. It identifies principal cost drivers for the Council and uses sensitivity analysis to identify a range of potential outcomes for the council over the next ten years. The Strategy identifies outcomes based on optimistic, mid-range and pessimistic assumptions and looks at key influences and cost drivers that are considered to have the most bearing on the sustainability of the future budget.

At the point in time the MTLFS was approved, the Council faced the challenge of aiming to remove the reliance on reserves in setting future budgets and to contain budget pressures from increased demand on services and increasing costs. Following the agreement of the MTLFS, the Council approved the 2025/26 revenue budget with no planned use of reserves balances.

The MTLFS includes assumptions on key cost drivers and income sources and the use of optimistic, mid-range and pessimistic assumptions provides an informed view of options whilst setting out potential future challenges.

The analysis recognises but does not quantify the largest financial risks to the council – namely, Moray IJB budgets, increasing Additional Special Needs demand and increasing Early Years service demand, stating that these cannot be quantified at present.

The MTLFS highlights the total impact on the Council should the mid-range assumptions identified in the strategy materialise. The MTLFS confirms the Council’s overall budget gap to financial year 2034/35 is projected to be £58.010 million. This is reflected in the table below:

| | 2025/26 | 2026/27 | 2027/28 | 2028/29–2034/35 | Total |
|---|---|---|---|---|---|
| Total Additional Income | (£4.360m) | (£4.232m) | (£2.765m) | (£21.397m) | (£32.754m) |
| Total Additional Expenditure | £9.944m | £9.280m | £8.775m | £62.765m | £90.764m |
| Budget Gap | £5.584m | £5.048m | £6.009m | £41.368m | £58.010m |

Note: The 2025/26 figures in the table above have been updated following the approval of the 2025/26 revenue budget.

The Council must identify ways to alleviate the significant budget gap over the life of the MTLFS.

# Wider scope audit – financial sustainability (5)

**Wider scope area** | **Wider scope audit response and findings** | **Conclusion**

**Financial sustainability (continued)**

**Medium to Long Term Financial Strategy (continued)**

The previous table reflects the mid-range cost drivers and assumptions included in the MTLFS.  The Council also provides both optimistic and pessimistic scenarios which indicates the areas of pressure for the Council should certain scenarios develop over time:

| 2025-26 – 2034/25 | Optimistic | Mid-Tier | Pessimistic |
|---|---|---|---|
| Total Additional Income | (£92.775m) | (32.754m) | (£5.442m) |
| Total Additional Expenditure | £58.357m | £90.758m | £156.883m |
| Budget Gap | (£34.418m) | £58.004m | £151.441m |

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The projected budget gap ranges from a budget surplus of £34.418 million, to a projected budget deficit of £151.441 million. This reflects the wider financial sustainability risk to the Council and the need to continue to identify new ways to deliver services via approaches to transformation.

Within the MTLFS, the Council have identified several factors impacting the financial position.  These include, at a mid-tier range, the following assumptions:

- Funding - Baseline funding from the Scottish Government will remain static over the ten-year period
- Council Tax Income -  Income will rise by CPI including owner occupiers housing costs (CPIH) plus 1%
- Pay Inflation – Staff pay expected to rise by 3% each year
- Contract Inflation - Cost pressures arising from service contract inflation expected to be CPI plus 2%

The MTLFS is subject to review each year. The latest version was agreed prior the 2025/26 budget being approved and will require to be updated to reflect the updated financial position. This will take place later in 2025/26.

**Conclusion:** The Council have identified several risks and factors which could impact the Council's ability to return to financial balance over the period of the MTLFS.

# Wider scope audit – financial sustainability (6)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|

**Financial sustainability (continued)**

**Reserves**

In previous years, including 2024/25, the Council has relied on reserves balances to balance the budget. While the actual use of reserves balances used in most years was not as high as initially budgeted, the planned use of reserves to balance the budget was not sustainable in the longer term. The table below sets out the intended and actual use of reserves by the Council in recent years.

| | Budgeted use of reserves £m | Actual use of reserves £m | Under / (Over) use against budget £m |
|---|---|---|---|
| 2017/18 | 7.611 | 4.615 | 2.996 |
| 2018/19 | 4.720 | 3.787 | 0.993 |
| 2019/20 | 2.094 | - | 2.094 |
| 2020/21 | 2.348 | - | 2.348 |
| 2021/22 | 0.010 | (5.838) | (5.848) |
| 2022/23 | 13.881 | 1.562 | 12.309 |
| 2023/24 | 15.423 | 14.211 | 1.212 |
| 2024/25 | 10.225 | 12.259 | (2.034) |

There has been a consistent trend of planning to use general reserves to produce a balanced budget over the period set out above. In 2024/25, the actual use of reserves balances was higher than planned and the Council utilised the full £8.686 million “Working Reserve” balance during the year.

In our previous audit, we recommended that the Council identify alternative ways to balance the budget in future years, as opposed to relying on reserves balances. As outlined, the 2025/26 budget was agreed without the planned use of any reserve's balances. This is the first time in several years the Council have agreed a budget without intending to use reserves and reflects an improvement in the overall financial position.

The Council were reliant on reserves balances in recent years to balance the budget. The Council has acknowledged this is not sustainable and should aim for future budgets to be agreed without the planned use of reserves balances, as was the case in 2025/26.

# Wider scope audit – financial sustainability (7)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Financial sustainability (continued) | **Reserves (continued)**<br>Looking ahead into future years, the Council must ensure that transformation is the key driver for addressing identified budget gaps over the longer term. The Council should not revert to the use of reserves as the method of balancing the budget. We have raised a recommendation as part of our BV Thematic review.<br>**Capital and Long-Term Borrowing**<br>Historically, the Council have prepared one-year Capital budgets. From 2025/26 onwards, the Council are changing to a three-year planning approach for capital and approved a Capital Plan for 2025/26 – 2027/28 at the Special Council meeting held on 21 January 2025.  The Council also approved an indicative 10-year Capital Plan at the same meeting.<br>As part of its capital planning, the Council is required to establish the affordability of its Capital Plan in accordance with the CIPFA Prudential Code. In our previous audit, we reported that the Council needed to review the affordability of it's Capital Plan and the revenue implications.<br>The Council approved a methodology for keeping capital expenditure within affordable limits (known as the cap) at the Special Council meeting held on 22 October 2024. The Council established an affordability ceiling of 10%, in line with CIPFA guidance.  The Council have considered the cap in producing the 2025/26 – 2027/28 Capital Plan, with the cap being spread across the three-year period, effectively smoothing out the cap.  This will be a regular feature of capital planning going forward and will ensure the Council has considered if its expenditure on capital activities will be affordable in future years.<br>Total funding required over the life of the three-year plan is projected to be £212.464 million, however only £24.238 million of this will be met by the General Capital Grant. Approximately 55% of the three-year capital programme is expected to be funded by borrowing. | The Council have introduced an affordability cap which confirms the Capital Plan is within affordable limits set by CIPFA. |

# Wider scope audit – financial sustainability (8)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Financial sustainability (continued) | see below | The Council's Capital Plan requires a significant level of borrowing in the early years of the plan.<br>The overall borrowing required to finance the Capital Plan has reduced, meaning there is less reliance on loans to fund projects in the plan. |

**Capital and Long-Term Borrowing (continued)**

The table below outlines the funding requirements for the three-year capital plan:

| | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | Total<br>£m |
|---|---|---|---|---|
| Total Capital Expenditure | 64,045 | 73,598 | 74,821 | 212,464 |
| Funded by: | | | | |
| General Capital Grant | 9,088 | 7,500 | 7,650 | 24,238 |
| Moray Growth Deal | 15,904 | 16,795 | 7,051 | 39,750 |
| Levelling Up Fund / Town Centre Board | 18,485 | 2,200 | 2,200 | 22,885 |
| Prudential Borrowing | 19,437 | 44,003 | 52,820 | 116,260 |
| Other Funding | 1,131 | 3,100 | 5,100 | 8,300 |
| **Total** | **64,045** | **73,598** | **74,821** | **212,464** |

As outlined, the Council have spread the affordability cap over the three years of the capital plan to make it more manageable, with the affordability indicator of 10% maintained in each of the three years.

The Council also approved the indicative ten-year Capital plan at the meeting on 21 January 2025. The total planned expenditure over the ten-year period is £434 million and the Council has a projected that total anticipated borrowing over the length of the plan will be £217 million, meaning that borrowing will finance 50% of the plan over the ten-year period. The anticipated borrowing significantly reduces over the later years of the plan, with 53.5% of borrowing (£116million) expected in first three years of the 10-year plan. This percentage is lower than in previous years (previous agreed capital plan had borrowing rate of 69%).

# Wider scope audit – vision, leadership and governance

The risk below was included in the Annual Audit Plan. The narrative is the wording from the Audit Plan and identifies the work we would undertake in response to the risk identified. Pages 64 to 71 details the work undertaken in response to the assessed risk and we have outlined our overall conclusion below.

| Potential significant risk identified in audit plan (narrative from Audit Plan) | Response to potential significant risk (planned work in Audit Plan) | Conclusion on potential significant risk |
|---|---|---|
| The Council hold a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services. We will continue to review the arrangements in place prior to issuing our Annual Report. Our work will also include reviewing the consistency of the Annual Governance Statement with the key findings from audit, scrutiny, and inspection.<br>During the 2023/24 audit, we identified several recommendations in relation to the Council's vision, leadership and governance arrangements including issues in relation to pace of change, cross party working and the effectiveness of the Audit & Scrutiny Committee (ASC). A number of these issues were also raised as part of the Controller of Audit Report and the Council continue to take steps to address the issues raised.  Progress is monitored as part of the Best Value Action Plan which is reported to the Corporate Committee which confirms the progress the Council are making in addressing the issues raised in the Controller of Audit Report.<br>Due to the number of vision, leadership and governance recommendations made in the 2023/24 Annual Audit Report and the limited time to respond to these in the months since, a potential significant risk has been identified in relation to the Council's vision, leadership and governance arrangements.<br>There is potentially a risk that the Council do not meet their key priorities due to delayed progression of objectives and the pace of change being limited or slow. | Our audit work included:<br>• Review cross party working arrangements and governance arrangements in place to inform effective decision making.<br>• Review arrangements in place to track and monitor performance and outcomes of council priorities as well as reviewing arrangements in place over the information provided by members to inform effective decision making.<br>• Review the Council's progress in implementing the actions identified in the Best Value Action Plan.<br>• Follow up the recommendations raised in the 2023/24 Annual Audit Report, including those raised in the Controller of Audit Report. | We have concluded that there is no longer a potential significant risk in relation to vision, leadership and governance.  The Council have resolved several previous audit recommendations in this area.<br>There is evidence that members are working together more collaboratively, and the Council have processes in place to ensure members and officers work together in the future. The Interim Chief Executive performed follow up work including a survey during 2024/25 confirming that positive progress has been made on collaborative working.<br>The 2025/26 Revenue Budget was agreed cross party and was a result of all Members working together throughout the year.<br>The Council ensured all ASC members are clear on their remit and have completed the actions set out in the Best Value Action Plan.<br>The Council have refreshed the annual performance reporting, with live data for the key performance indicators accessible on the Council's website. |

# Wider scope audit – vision, leadership and governance (2)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| **Vision, leadership and governance**<br>Potential significant risk identified. | **Moray Council Corporate Plan 2024-2029**<br>The Corporate Plan 2024-2029 was approved by the Council on 28 February 2024. The Corporate Plan is well set out, and links clearly to other plans across the Council. Performance metrics are included along with a timetable for monitoring achievements under the plan.<br>The Corporate Plan includes a clear set of priorities:<br>• Tackle poverty and inequalities<br>• Build stronger, greener, vibrant economy<br>• Build thriving, resilient, empowered communities<br>Progress towards achievement of the Council's priorities are monitored via the Performance Management Framework (PMF). The PMF identifies actions, separated into Strategic level actions (which sit within the Corporate Plan) and Service level actions (which sit within service plans). Both Strategic and Service level actions are included in six-monthly service performance reports which are reported through service committees. The period for the Corporate Plan is five years, in line with previous practice. To make the actions in the plan more flexible, these are expressed as actions for 2024-2026 and will be reviewed at the end of that period. Details on performance monitoring arrangements can be found at page 72.<br>**Cross party working**<br>The Controller of Audit report and our previous Annual Audit Report highlighted issues in cross party working and the need for the Members to work together effectively and to act on key decisions in an efficient and effective manner. The Council have taken steps to address the issues raised, with collaborative leadership being a key part of the Best Value Action Plan.<br>The Council circulated a survey on collaborative leadership to all members and senior officers in early 2025, with the outcomes from the survey reported to the Corporate Committee on 10 June 2025. The overall feedback is that there have been improvements in the approach. | The Council have an approved Corporate Plan, and the achievement of priorities is monitored via the Performance Management Framework. |

# Wider scope audit – vision, leadership and governance (3)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Vision, leadership and governance (continued) | **Cross party working (continued)**<br>The Council will continue to hold joint member/officer events which have been recognised as effective in progressing work and building relationships between political groups, members and officers. The aim is to ensure a whole council perspective on key issues such as best value and transformation, with approach being sustained as business as usual.<br>The majority of actions the Council set to ensure members were working together effectively concluded by June 2025 as planned. There is evidence that members are working together more collaboratively, and the Council have processes in place to ensure members and officers work together in the future. Furthermore, the 2025/26 Revenue Budget was agreed cross party and was a result of all Members working together throughout the year.<br>**Audit and Scrutiny Committee**<br>Our previous Annual Audit Reports and the Controller of Audit Report identified instances in some meetings from Members on what should be escalated to Council and what should be actioned within the remit of the Audit and Scrutiny Committee. Since our reporting, the Chair of the ASC has met with other Committee chairs and renewed focus on the role and purpose of the ASC. The Council also asked members to complete a follow up survey in October 2024 to confirm whether members are more confident in their roles and to identify areas for potential training.<br>Progress on the actions to ensure members were clear on their remit has been monitored via the Best Value Action Plan. It is now business as usual to assess requirements and provide training for members and a self evaluation exercise has taken place in March 2025. As a result of this exercise, the Council have agreed for an investigation to be undertaken to explore further development of scrutiny functions within the Council. This process will involve researching how other local authorities operate their scrutiny functions to identify areas of best practice. The review is expected to be completed by 30 September 2025. | The Council has made good progress in this area, and it is clear members and officers are working more collaboratively.<br>The Council have ensured all ASC members are clear on their remit and have completed the actions set out in the Best Value Action Plan. |

# Wider scope audit – vision, leadership and governance (4)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Vision, leadership and governance (continued) | <u>**Audit and Scrutiny Committee (continued)**</u><br>The actions undertaken in response to the recommendation raised in the Controller of Audit Report are now complete. The Council have introduced mechanisms to ensure members are satisfied training is appropriate, including completion of the survey to members. Further changes to delivery are being investigated via discussion with other local authorities. It is clear the Council have responded to the recommendation made by the Controller of Audit Report.<br>During 2024/25, the Audit & Scrutiny Committee undertook a self assessment of its compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The outcomes from this review were presented to the Audit & Scrutiny Committee on 24 June 2025 and noted significant compliance with the good practice principles and a high degree of effectiveness. Areas have been identified for further improvements, and an Action Plan has been produced to strengthen and improve the overall effectiveness of the Audit and Scrutiny Committee.<br><u>**Council Governance**</u><br>There has been significant changes in the leadership structure at the Council during 2024/25:<br>• John Mundell was in post as the Interim Chief Executive since April 2024. Karen Greaves has been appointed as the new Chief Executive and began her role in March 2025 with a short handover period.<br>• Jim Lyon was appointed as the Chief Social Worker in May 2024 on an interim basis and no permanent replacement has yet to be appointed.<br>• Judith Proctor was appointed as the Chief Officer of the Moray Integration Joint Board on an interim basis in July 2024 and was made permanent in November 2024.<br>In our previous Annual Audit Report, we recommended that the process for the appointment of permanent staff should be expedited wherever possible. The Council have taken steps to address the reliance on interim appointments, with the new permanent Chief Executive being appointed and the Moray IJB Chief Officer also made permanent in November 2024. | The council are monitoring progress from their Audit and Scrutiny Committee effectiveness through an agreed Action Plan. |

# Wider scope audit – vision, leadership and governance (5)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Vision, leadership and governance (continued) | Council Governance (continued)<br>During 2025, the Council have undertaken a review of the corporate management structure with a view to adding capacity to key areas, which will assist in delivering the Council's priorities and ensuring a sustainable financial position. This was considered as part of the management structure review that reported to Council in April 2025, with a view to implementation of approved changes by August 2025. The new management structure went live on 1 September 2025 and recruitment to the vacant posts is underway. We note that the Council is currently carrying vacancies in many departments, which impacts capacity.<br>Within the new structure, there will be three directors, with the two existing Depute Chief Executives being appointed as a Director. The third Director post will also include the Section 95 Officer role, with this post also overseeing the approach to transformation. This role is currently out to recruitment.<br>The role of the Section 95 Officer is changing within the revised structure and is a step-change to the previous approach. It is important the Council ensures that the role has appropriate significance if combined with other duties, appreciating the current and future financial sustainability challenges faced by the Council. Following the budget setting for 2026/27, the existing Section 95 Officer is retiring in March 2026. The Council must ensure that there is an appropriate handover period to ensure the new Section 95 Officer is provided a thorough understanding of the operations of the Council. The Council have added another manager post within the finance team which is currently out for recruitment, in order to further strengthen the numbers in finance team.<br>Vacant posts within the new structure are currently being recruited and successful recruitment to these vacant posts will be key in embedding the revised management structure. We are aware that the Council have had recruitment issues in recent years and there is a risk that vacant posts may not be filled which could impact the level of change the council are seeking from the change in structure.<br>The Council have confirmed that the new management structure will require a revised scheme of delegation which will be approved in the coming months. | The Council have implemented to changes to the management structure and are actively recruiting to vacant posts.<br>Recruitment is key to embedding the revised management structure.<br>The scheme of delegation should be updated to reflect the new management structure. |

# Wider scope audit – vision, leadership and governance (5)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Vision, leadership and governance (continued) | Council Governance (continued)<br>The Council must ensure that whilst it is actively recruiting suitable candidates, that plans are in place should there be issues in the recruitment process. All legal structures that underpin the changes in the management structure must also be reviewed, including the scheme of delegations and standing orders. Following implementation of the new structure, the Council should also perform a standback evaluation to assess whether the objectives of the new approach were achieved. **See recommendation 2 at Appendix C.**<br>The next part of this process will involve a review of the middle management structure which is scheduled to take place later in 2025.<br>Approach to Self-Evaluation<br>In our previous reporting, we have reported that the Council need to implement an annual self-evaluation, to identify areas of strength and weakness. The Council are re-activating the Public Service Improvement Framework (PSIF), which has been agreed by the Extended Corporate Leadership Team (ECLT) for services that do not currently use PSIF or an alternative improvement tool.<br>The HR, ICT and Organisational Development service is piloting the use of PSIF as a self-evaluation tool and is being supported by the Improvement Service. Council officers are attending sessions to learn from the process to support further roll out across the Council. The planned programme for self-evaluation will be reviewed and refined as experience builds.<br>There are ten services across the Council which will complete a self-evaluation exercise and following on from the HR, ICT & Organisation Development pilot, the Council are collecting feedback from the service for lessons learned. A report is scheduled to be taken to the ECLT in August 2025 which will outline the planned timeline for the self-evaluation for each service and set the overall programme of work.<br>The next step in the process is the introduction of service scorecards. This remains a work-in-progress, with the Council looking to confirm whether current systems are designed to meet the scorecard expectations. This will continue to be reviewed and developed in future months. | The Council must ensure it is actively recruiting the vacant posts within the new management structure and that plans are in place should the recruitment process be unsuccessful.<br>The Council have taken steps to implement an approach to self-evaluation via the PSIF but the overall approach remains a work-in-progress. |

# Wider scope audit – vision, leadership and governance (6)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Vision, leadership and governance (continued) | Internal Audit<br>The internal audit service, in any organisation, is an important element of internal control. It provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.<br>The council has its own internal audit function which is led by the Audit and Risk Manager. We have reported in previous years that the Audit and Risk Manager has raised serious concerns around whether the existing resources of the Internal Audit Section were sufficient to meet the Council and partner organisations auditing requirements and to support effective counter fraud and corruption arrangements. We recommended that the role and activities of internal audit and the Audit and Risk Manager should be reviewed, and consideration given as to whether the role is achievable and tenable as it stands.<br>The Council have confirmed that all council services are under careful scrutiny to ensure that resourcing is adequate to meet service requirements. Benchmarking with other councils and external inspections outcomes have been considered alongside the Council's own self-assessment. The Internal Audit function received a strong PSIAS external peer review during 2024, and the council is satisfied that the resources within Internal Audit are deemed to be sufficient. We have noted that the Audit and Risk Manager did not raise any significant concerns around resourcing in his 2025/26 Internal Audit Plan. Furthermore, Internal Audit delivered the majority of activity set out in the 2024/25 Internal Audit Plan. Based on the delivery of activities during 2024/25, there does not appear to be any significant resourcing issues which prevents the Internal Audit function from delivering its annual plan. Management are deemed to be making effective use of internal audit.<br>The year-end internal audit opinion was presented to the ASC on 24 June 2025. The Internal Audit opinion for 2024/25 was "reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system for the year ending 31 March 2025." This statement was included in the 2024/25 Annual Governance Statement alongside the results of Internal Audit work undertaken during the year. | Internal Audit provided a reasonable assurance opinion over the adequacy and effectiveness of the internal control system for the year ended 31 March 2025.<br>Internal Audit delivered the majority of planned activity during 2024/25 and no significant alterations were made to planned activity. |

# Wider scope audit – vision, leadership and governance (7)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Vision, leadership and governance (continued) | **Internal Audit (continued)**<br>Internal audit provide update reports to each Audit and Risk Committee meeting. In our reporting in the previous audit, we acknowledged that Internal Audit were undertaking a refresh of the reporting to Committee which has now been finalised. Previously, the reporting to Committee did not make it clear what the level of assurance was for the report being presented to committee. The format of reporting has now been updated, with the covering page making it clear the level of assurance provided for the review. This is a noticeable improvement and provides members with the context of the findings and outcomes immediately.<br>Internal Audit reports follow-up reviews to evidence the implementation of recommendations to the Audit and Scrutiny Committee. The follow-up audits undertaken found recommendations that had yet to be implemented within the agreed timescales – the appendix to the report provides and explanation from the service of progress against each recommendation and revised timescales.<br>**Risk Management**<br>The Council has a risk management policy designed to support the identification, evaluation and mitigation of risks. The Council maintain a Corporate Risk Register, which considers risk themes and the principal risks facing the Council. Service Risk Register's are also in place which evaluate and manage potential impediments to the delivery of services.  The registers describe how risks are managed and controlled.<br>The latest iteration of the Corporate Risk Register was considered at the Corporate Committee on 10 June 2025. All corporate risks are assigned risk ratings, scored between 1 – 25. Any risk with a score greater than 15 is considered a "very high" risk to the Council. Three risks are currently rated as very high risks:<br>• Financial: There is an on-going risk of financial failure with demand for services outstripping available budget<br>• HR: Effect of staffing reductions on services<br>• IT: Major disruption in continuity of ICT operations<br>The risk register includes the rationale for each identified risk, the Council's current risk appetite and the current and proposed mitigations in place. Each risk is also assigned a risk owner who has overall responsibility for management of the risk. | The format of Internal Audit reporting has been updated to provide greater clarity on the assurance opinion provided.<br>The Council need to continue to take appropriate action to mitigate the high risks in the risk register |

# Wider scope audit – vision, leadership and governance (8)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Vision, leadership and governance (continued) | Partnership Working<br>The council, alongside NHS Grampian, is a key partner of the Moray IJB and therefore has an interest in the governance arrangements of the IJB. The Chief Officer of the IJB regularly attends Council and ASC meetings and provides reports summarising details of the Board's activities. The Council have four elected members who are voting members of the IJB Board. Audit arrangements for the IJB are provided jointly by the council's Internal Audit Service and NHS Grampian's Internal Auditors. The council's Audit and Risk Manager (as Chief Internal Auditor for the MIJB) provides assurance over social care services, and oversight of the IJB governance arrangements.<br>The Moray Growth Deal is a regional deal designed to boost economic growth across Moray. It is a long-term plan centred around eight strategic specific projects, with an aim of improving economic growth across the region. Total investment in the deal exceeds £100 million and brings together both the Scottish and UK governments, the Council, partners from across the public and third sectors and private businesses. Governance of the Growth Deal is through the Moray Growth Deal Programme Board. The Board is chaired by the Depute Chief Executive (Economy, Environment & Finance) which reports regular updates to Transform Board and MEP. Membership includes representatives from the Council.<br>The Council have a Local Outcomes Improvement Plan (LOIP) which outlines the creation and implementation of a vision for the local area, including expected outcomes for the community. The overarching aim and purpose of the 10-year Plan is 'to raise aspirations by creating an enabling environment where our residents can achieve expanded choices, improved livelihoods and wellbeing". The LOIP sits alongside the Corporate Plan 2024-2029.<br>The LOIP is a partnership plan, and its strategic delivery is overseen by a Community Planning Board, which meets quarterly. The Board comprises representatives from a broad range of organisations. Development sessions have been held to strengthen good governance arrangements, recognising the benefits that working in partnership can bring. A self-assessment facilitated by the Improvement Service has also been completed with a feedback development session planned to consider outcomes from the self-assessment and any further actions arising therefrom. | The Council have appropriate arrangement in place to ensure oversight of the operations of its partners. |

# Wider scope audit – use of resources

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Use of resources to improve outcomes<br>No risk identified | **Performance Reporting**<br>The Corporate Plan has three strategic priorities:<br>• Tackle Poverty and Inequality<br>• Build Stronger Greener Vibrant Economy<br>• Build thriving, resilient, empowered communities<br>Underpinning these strategic priorities are several corporate priorities with key performance Indicators (KPIs) and measures to measure and monitor performance. The Public Performance Report paper was presented to full Council on 25 June 2025 and reports on progress against the Corporate Plan priorities. From 2024/25, with the agreement of the Council, the report is now published on the Council's website. This is the first year the Council have issued the annual performance data in this format, and it has been designed to be more accessible and easier to view performance information. In producing the data via a webpage, the data can be updated in real-time once available.<br>In our previous audit, we recommended that the Council should seek to revisit and refresh their annual performance as previous reporting did not include information on key performance indicators and trend data. The live system has a suite of published data which includes key LGBF indicators alongside the council's own performance indicators which are linked to the priorities in the Corporate Plan. The LGBF data is presented in a separate page, split across the Council's strategic priorities.<br>The Council are also publishing separate reports for both Corporate Plan actions and performance indicators for each quarter of the financial year. The 'Actions' report provides a status update on the progress of each agreed action on a RAG basis, and the 'Indicators' report provides performance data for each key indicator, again on a RAG basis, which provides historic trend data to show the performance of each indicator over time where information is available.<br>At the Council Meeting on 25 June 2025, the Council also presented a Corporate Plan progress update. The purpose of this report is to scrutinise and note the progress made during 2024/25 on the Corporate Plan 2024-2029. | The Council are publishing performance information in a timely manner, with the new format of reporting providing live data for the Council's own performance indicators and the LGBF data. |

# Wider scope audit – use of resources (2)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Use of resources to improve outcomes (continued) | <u>Performance Reporting (continue)</u><br>The Corporate Plan - Progress Update report brings together reporting on all Corporate Plan actions during the reporting period. It also provides a high-level overview of progress against actions and key performance indicators alongside a more detailed analysis identifying key performance indicators for each Corporate Plan priority.<br>In the year to March 2025, 25 Corporate Plan actions were due for completion. Eleven actions were completed as planned, however 14 actions have not been delivered by the planned deadline and will continue to progress out with their original due date. Overall, 67% of planned work was completed. The Council did make progress against actions due to be completed in future years, with four actions completed ahead of schedule. Based on the 57 defined actions in the Corporate Plan to 2029, the Plan is 51% complete. These figures will change annually following the refresh of Service Plan actions that contribute to the delivery of Corporate Plan priorities.<br>There were 56 corporate plan performance indicators, of which 32 indicators have targets. Eighteen indicators were achieved or were within tolerance levels of target, whilst fourteen indicators did not meet expected levels of performance. In terms of short-term trend, when compared to the previous year's result, 35% of indicators show an improving trend, 41% a worsening trend, results remain unchanged for 9% and data is not available for the final 14%.<br>The Scottish Government have a set target that 1% of a local authority's budget should be allocated via Participatory Budgeting. As part of its key performance reporting, the Council have set a target to achieve 100% of the Scottish Government target, however the Council has reported only 18.9% has been achieved. This is a drop in performance from 2023/24, when 23.12% was achieved, and the Council continues to be significantly under the target. Our previous audit recommendation on achieving this target remains valid and the Council must undertake more work to ensure key stakeholders including partners and individuals are involved in the participatory budgeting exercise. | The Council must ensure the actions set out in the Corporate Plan remain achievable by the planned deadline.<br>The Council have not yet achieved the Scottish Government target that 1% of a local authority's budget should be allocated via Participatory Budgeting.<br>The Council must undertake more work to ensure key stakeholders including partners and individuals are involved in the participatory budgeting exercise. |

# Wider scope audit – use of resources (3)

**Wider scope area** | **Wider scope audit response and findings** | **Conclusion**

**Use of resources to improve outcomes (continued)**

## Overview of Performance Indicators

The table below provides detail on the Council's performance across several key indicators:

| Key Performance Indicators | Target | Benchmarking – Comparator Avg. | 2022/23 | 2023/24 | 2024/25 | Trend |
|---|---|---|---|---|---|---|
| Percentage of pupils gaining 5+ awards at Level 5 | 62% | 64% | 62% | 62% | 62% | ↔ |
| Percentage of pupils achieving expected level in Numeracy (P1,4,7 Combined) | 82.9% | 78.9% | 75.5% | 76.5% | N/A | ↑ |
| Percentage of pupils entering Positive Destinations | 95.2% | 95.2% | 95.1% | 93.8% | N/A | ↓ |
| Moray median weekly earnings – by place of work | Data only | £739.70 (Scotland) | £619.50 | £647.20 | £688.80 | ↑ |
| Proportion of people earning less than the living wage | 11.4% | 9.4% | 13.8% | 14.4% | 14.0% | ↑ |
| Gender Pay Gap – Moray being place of work | Data only | 9.2% (Scotland) | 7.6% | 12.5% | 16.3% | ↓ |
| Town Vacancy Rates | 9.0% | 13.1% | 10.6% | 14.1% | N/A | ↓ |
| Percentage of Council services who have devolved funding to Participatory Budgeting processes | 100% | N/A | 36% | 36% | 36% | ↔ |
| Percentage of schools that are rated B or better for suitability | 100% | N/A | 98.1% | 100% | N/A | ↑ |

The Councils Key Performance Indicators show a mixed level of performance, with areas of both improving and worsening performance.

# Wider scope audit – use of resources (4)

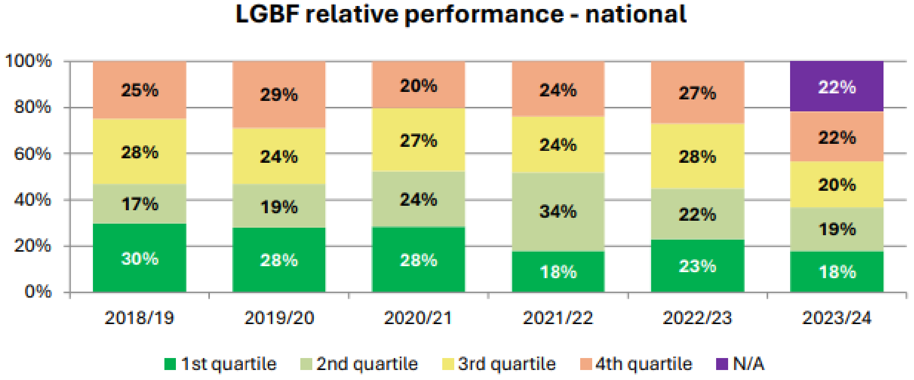
| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Use of resources to improve outcomes (continued) | <u>National Benchmarking Data</u><br>The Council particates in the Local Government Benchmarking Framework (LGBF). The outputs include information about how all Scotland's councils perform and includes a range of indicators. The most recent national benchmarking overview report 2023/24, was published in March 2025.<br><br>The Council presented the 2023/24 LGBF results to the Corporate Committee in April 2025 (and Audit and Scrutiny Committee in May 2025). The information presented included the report for the 2023/24 data as well as the 2022/23 data (and earlier years if available) to allow further trend comparisons over time. LGBF shows the proportion of indicators which have either improved, deteriorated or stayed the same over time. 49% of Moray's LGBF indicators have deteriorated during the previous year, with 34% seeing improved performance.<br><br>An assessment of relative performance in recent years showed an improving trend up to 2020/21, followed by a drop off in 2021/22. Thereafter the pace of recovery has slowed. The charts below show that for the indicators currently published for 2023/24, there has been a slight drop in performance with indicator result values worsening to a greater margin (53%) than those that have improved (41%). The Council outlined that assuming there is no significant change in rankings for the twenty-three indicators yet to be updated, the overall position in terms of relative performance will remain similar to 2022/23.<br><br>In the year-end report, the Council provides an understanding of indicator in the lowest quartile (4th), with the indicator number, the challenges, the actions to improve and expected outcomes noted. This allows scrutiny and assessment of each indicator. The report also includes the detail of each performance indicator and the trend data for the four preceding years. The Corporate Performance section of the Council's website provides the LGBF reports for the last five years. | The Council's performance has been mixed. More performance indicators are lower in 2024/25 when compared to the previous year despite an increase in expenditure. |

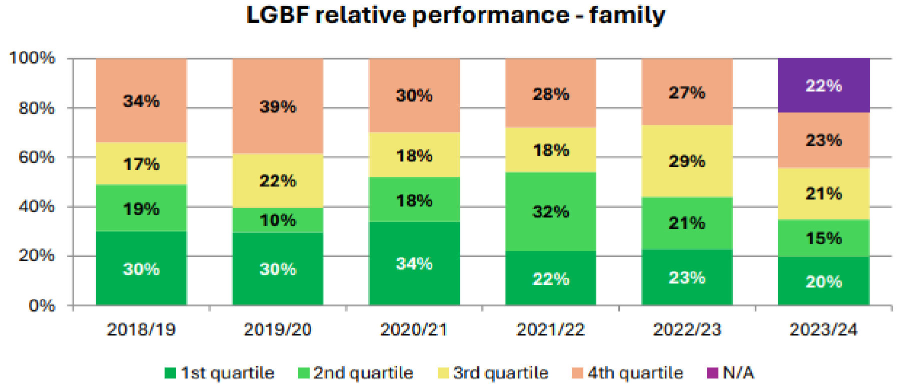
# Wider scope audit – use of resources (5)

**Wider scope area** | **Wider scope audit response and findings** | **Conclusion**

**Use of resources to improve outcomes (continued)**

Further detail from Moray's LGBF Report for 2023/24 reported in June 2025 is set out in the tables below. It should be noted that a sizeable percentage of indicators (highlighted in purple) are not yet published which impacts the quartile calculations.





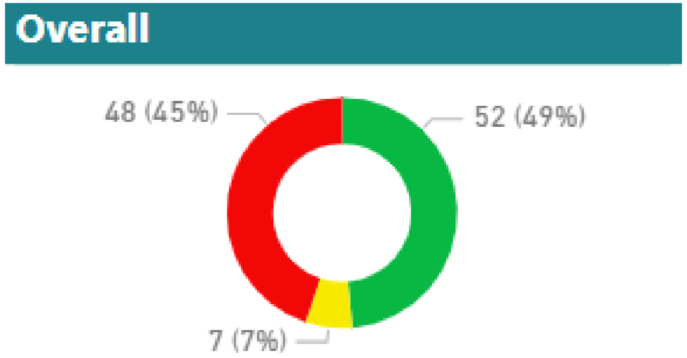
Data source: Improvement Service

For indicators currently published, there has been a slight drop in overall performance with indicator result values worsening to a greater margin (53%) than those that have improved (41%). Assuming there is no significant change in rankings for the twenty-three indicators yet to be updated, the position in terms of relative performance will remain similar to the previous year.

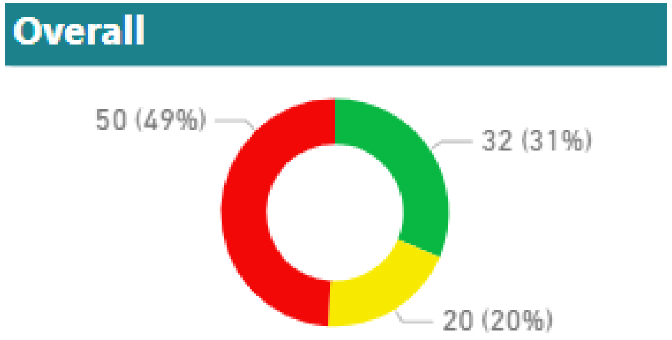
# Wider scope audit – use of resources (6)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Use of resources to improve outcomes (continued) | The data for LGBF is live and is available for any member of the public to review for their council area. As the LGBF reporting was carried out in June 2025, a summary at August 2025 was obtained from the Improvement Service website to note any further trends since June 2025.<br>Overall, since the base year of collection, the Council has improved performance for 49% of the indicators, with 45% of indicators showing diminished performance.<br>However, when comparing performance to the data collected in the previous year, 31% of indicators have improved, whilst 49% indicators seen a decrease in performance. | The Council's progress in improving indicators slowed compared to the base year, with performance over the previous 12 months showing improvement for 33% of LGBF indicators. |

Change in indicators since base year collection



Change in indicators since prior year (2023/24)



Data source: Improvement Service

# Wider scope audit – use of resources (7)

| Wider scope area | Wider scope audit response and findings | Conclusion |
|---|---|---|
| Use of resources to improve outcomes (continued) | **External Inspections**<br>The Council have been subject to several external inspections during 2024/25. In particular, the Education service had several reviews carried out by Education Scotland, who reviewed a number of schools within the Moray region. The majority of the inspections carried out concluded with an assurance rating of satisfactory, good or very good. However, we did identify one inspection completed at Elgin Academy where weaknesses were identified and areas of improvement highlighted. This was a follow-up visit by Education Scotland who had previously completed a review at Elgin Academy.<br>Following the initial review, an action plan for improvement was agreed with key actions for Elgin Academy to take forward. The Council's Quality Improvement Manager (QIM) worked closely with the school to agree the action plan and followed up with regular meetings to review progress. At the time of the follow-up review in April 2024, inspectors confirmed that while progress had been made against the action plan, further improvement was required. The action plan remains in place and the QIM continues to work closely with the school monitoring progress against planned actions.<br>**Accounts Commission - Local government budgets 2025/26**<br>The Accounts Commission published the Local governments budgets 2025/26 report in May 2025. The report identifies a number of key findings including:<br>• Scottish Government funding to local government in 2025/26 is increasing by six per cent in real terms, to £15.2 billion. Local government continues to face recurring pressures in excess of funding uplifts, such as inflation, annual pay deals and growing demand for services, and most of the increase will be used to deliver previously agreed national commitments<br>• At the time of setting their budgets, councils identified a difference of £647 million between anticipated expenditure and the funding and income they receive (the 'budget gap').<br>• Councils continue to make savings across a broad range of services to address financial challenges and have been successful in identifying recurring measures that will help to address underlying pressures. Despite this, councils are still forecasting that more will need to be done in future years to achieve financial sustainability given their projected increases in both costs and level of service demand.<br>Many of the findings from the Accounts Commission report are in line with the challenges currently being faced by Moray Council. | The Council have processes in place to ensure action is being taken in response to concerns raised by regulators.<br>The Council is facing the same type of financial challenge as seen across the local government sector in Scotland |

# Best value conclusions

Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit work performed by appointed auditors and their teams. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value and community planning duties. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations. The Accounts Commission's approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports. Our work on the Best Value thematic is set out below.

## Best Value Thematic – Transformation

In 2024/25, the Accounts Commission has directed auditors to report on how councils are redesigning services to maintain outcomes and deliver services more efficiently. Our report, setting out our findings and improvement recommendations was presented to Members in August 2025. Our conclusions, based on a series of questions posed by the Accounts Commission are set out below.

### To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?

The Council have developed a Transformation Strategy during 2024/25 which links to its priorities, set out in the Corporate Plan. The Transformation Strategy and Corporate Plan were only approved in April 2024 and work is ongoing to implement and embed these strategies. A balanced budget has been set for 2025/26 without any proposals for use of reserves and a short-term savings plan is in place, with the majority of savings identified.

### To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans?

The Council has appropriate arrangements in place to provide oversight over the Transformation Strategy however enhancements could be made to progress reporting to members. Several transformation projects are behind schedule and the Council need to review projects regularly to confirm whether timescales remain achievable and the impact this may have on future savings.

### To what extent are communities and partners involved in the development and delivery of the council's plans for transformation?

The Council engages well with its local communities and uses community engagement as a mechanism to shape and transform service delivery. Community engagement is used to good effect in the Council's service delivery decisions. The Council has a number of formal partnerships which are working well and providing benefits.

# Best value conclusions (2)

To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?

Detailed Integrated Impact Assessments are completed for each transformation project to mitigate against any unintended consequences of change. The Council are undertaking a review of the governance processes in place and must ensure these are appropriate with a balanced focus on planning and delivery. Work on the Digital Strategy is at an early stage but must align with the Transformation Strategy for both strategies to be successful.

The report set out a number of recommendations for improvement in the following areas:

- Project monitoring
- Future budget plan
- Annual reporting on transformation
- Delivery timetable of transformation projects
- Reporting of outcomes from projects
- Workforce capacity
- Delivery of the transformation programme
- Approach to digital

These recommendations have been replicated at Appendix D of this report. As the report was issued in August 2025, we have not included a follow-up on progress of agreed actions in this report. We will conclude on the follow up of recommendations as part of our 2025/26 Annual Audit Report.

## Controller of Audit Report

At least once every five years, the Controller of Audit reports to the Accounts Commission on each council's performance in meeting its Best Value duties. Moray Council was selected for review in 2023/24, with the Controller of Audit report published on 28 March 2024.

Recommendations were made across a number areas and as part of our 2024/25 audit work, we have performed a follow-up review for each recommendation raised in the Controller of Audit report. We have included an update on the recommendations made in the Controller of Audit Report in Appendix E.

# Best value conclusions (3)

### Controller of Audit Report (continued)

The Council have established combined Best Value Action Plan (BVAP), bringing together all recommendations made in the Controller of Audit Report, external audit reports and previous BVAR reports. The action plan and progress against it are being regularly reported to Members.

An update on the BVAP was presented to the Corporate Committee on 10 June 2025. The report outlined the progress made against the actions in the BVAP and highlighted key areas of progress and the actions that require monitoring. The report noted that from a total of 64 actions within the Action Plan, 30 are completed, 19 are on target, 14 require monitoring, and one has yet to commence.

The Council have made good progress in actioning the recommendations made by the Controller of Audit. Six recommendations are now closed with the remaining three in progress. The Council have plans in place to address the three remaining actions and we will continue to monitor progress towards actioning the recommendations raised. The Council has taken positive steps to implement the recommendations raised in the Controller of Audit Report and it is clear the Council have embraced the recommendation process. Of the nine recommendations raised, six are now closed and three remain ongoing. Through the BVAP, the Council have clear plans in place to implement the remaining three recommendations.

### Council service performance improvement

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

The Accounts Commission issued the Statutory Performance Information Direction in December 2021 which requires a council to report:

- performance in improving services (including those provided with partners and communities), and progress against agreed desired outcomes (SPI 1)
- self-assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

The Council has a Performance Management Framework (PMF) with the aim to seek continuous improvement. The PMF has not been subject to review recently, and a review is scheduled in future months. The focus of the review will be to identify ways to further improve reporting of performance.

There is a hierarchy of Council Plans that support the PMF starting with Moray 2023 – A Plan for the Future which sets out high level indicators for the Community Partnership. The Corporate Plan then adds the administrative and Council priorities. Underpinning these are service plans that set out the aims at service level with performance targets. Team Plans and the Employee Review and Development Programme set out the detail operationally for each team and define how an individual is supported to enable the Council to deliver their vision and objectives.

# Best value conclusions (4)

## Council service performance improvement (continued)

The 2024/25 Annual Governance Statement outlines the Council's assessment of how it is performing against its duty of Best Value and the progress and status of recommendations raised in the March 2024 Controller of Audit Report and previous best value assurance reports.

The Council has an appropriate performance management framework to monitor and report progress against Council priorities.

## Effectiveness of council performance reporting

The Annual Performance Report for 2024/25 is now published as live data accessible through the Council's website, as opposed to a formal report. The supporting report confirming performance data had been published was presented in a timely manner to full Council in June 2025 and is available to the public on the Council's website. This sets out the progress and performance of Council services against the Corporate Plan 2024-2029 priorities.

More detail on the overall approach to performance reporting can be found at page 72.

# Appendices

# A. Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement (CIES), the balance sheet, and the reported net expenditure of the Council for the year ending 31 March 2025.

Note that with any of the adjustments there is no impact upon usable reserves.

| Detail | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000 | Impact on total gross expenditure £'000 |
|---|---|---|---|
| **Revaluation Reserve – Council Dwellings**<br>We identified that revaluation of Council Dwellings was not reflected correctly in the revaluation reserve, resulting in the value of Council Dwellings and the amounts recorded in the Revaluation Reserve being understated.<br>The overall impact on the financial statements was an increase to PPE – Council Dwellings of £10.060 million and an increase to the Revaluation Reserve of £10.060 million. | | DR PPE – Council Dwellings £10.060m<br>CR Revaluation Reserve £10.060m | Nil |

# A. Audit adjustments (2)

## Impact of adjusted misstatements

| Detail | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000 | Impact on total gross expenditure £'000 |
|---|---|---|---|
| **PPE – Council Dwellings**<br>We identified that desktop revaluation of Council Dwellings was based on incorrect inputs resulting in the value of Council Dwellings being understated.<br>The overall impact on the financial statements was an increase to PPE – Council Dwellings of £12.884 million and an increase to the Revaluation Reserve of £12.884 million.<br>The impact is through the CIES but mitigated through the MIRS. | | DR PPE – Council Dwellings £12.884m<br>CR Revaluation Reserve £12.884m | Nil |
| **PPE – Other Land and Buildings**<br>We identified that an asset categorised in Other Land and Buildings had been included twice within the Fixed Asset Register and the revaluation impact considered twice in the Revaluation Reserve.<br>The overall impact on the financial statements was an decrease to PPE – Other Land & Buildings of £0.527 million and a decrease to the Revaluation Reserve of £0.527 million. | | DR Revaluation Reserve £0.527m<br>CR PPE – Other Land and Buildings £0.527m | Nil |

# A. Audit adjustments (3)

## Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the Council's reported financial position.

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| General | There were minor changes noted to grammar and to correct spelling and other consistency issues. The Council has corrected these in the final version of the financial statements. Such changes are are expected and do not warrant detailed explanation. | Yes |
| Management Commentary | The Council originally included 2023/24 performance data in the draft accounts as updated performance data was not available for inclusion. The 2024/25 performance data was then input into the Management Commentary once available.<br>The narrative within the next steps section of the Management Commentary was updated to highlight the Council's commitment to transformation in future years. | Yes |
| Statement of Responsibilities | We identified that the disclosure contained incorrect date information and incorrect Code references which were amended by the Council. | Yes |
| Remuneration and Staff Report | Additional disclosure was added the Remuneration Report to make clear that "all information disclosed in the tables in this Remuneration Report, with the exception of Table 2: Remuneration paid to Councillors, the Tiered Contribution Pay Rates table on page 33 and the Trade Union disclosures has been audited by the appointed auditors, Grant Thornton UK LLP".<br>We identified that the full year equivalent amount should be to be disclosed in relation to Table 3 – Note 5. We also identified that for Table 7, the banding after £100k should be disclosed in £50k bands. Both of these items were amended. | Yes |

# A. Audit adjustments (4)

## Misclassification and disclosure changes (continued)

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| Remuneration and Staff Report (continued) | The Remuneration Report exit package disclosure was amended to show the correct strain on the fund amount for one employee, as the disclosure was based on an accrual estimate rather than the amount per the invoice from NESPF. | Yes |
| Comprehensive Income and Expenditure Statement | We identified that additional disclosure be added as a footnote to the CIES to confirm that during 2024/25, the Social Work budget and associated income and expenditure was grouped together with Health & Social Care and the prior year figures have been amalgamated to a single line. | Yes |
| Balance Sheet | We identified that the group balance sheet incorrectly reported the common good revenue reserve as "general fund". This was amended to be shown as Revenue Reserves - Common Good. | Yes |
| Cash Flow Statement | We identified that the capital grants credited to the surplus or deficit on the provision of services was incorrect by £1.131 million and required amendment to a final total of £22.871 million. The investing activities line was amended by the same total and there was no impact on the closing cash balances. | Yes |
| Note 3 - Accounting Standards That Have Been Issued but Have Not Yet Been Adopted | We identified that the disclosure included 2023/24 code changes and needed to be updated to reflect the updated CIPFA guidance. The disclosure now includes the following:<br>• IAS 21 The Effects of Changes in Foreign Exchange Risk (Lack of Exchangeability) issued August 2023<br>• IFRS 17 Insurance Contracts issued May 2017<br>• IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets | Yes |

# A. Audit adjustments (5)

## Misclassification and disclosure changes (continued)

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| Note 4 - Nature of the Group and Group Members | We identified that the group accounts disclosure note be amended to state that the material changes in any balances in the balance sheet are due to the group consolidation of the Common Good and the Trust Funds.<br>We identified that the group accounts disclosure note make clear that the Moray IJB is a joint venture and consolidated into the group accounts on this basis.<br>We identified that the group accounts disclosure note required to be updated to state the Council's correct voting control for Moray Leisure Limited and the correct share of requisition for Moray Leisure Limited and Moray IJB.<br>The Moray IJB Balance Sheet disclosure was amended to reflect a late change to the IJB figures which was not included in the unaudited accounts. The is resulted in the IJB net assets reducing by £0.702 million to £1.450 million. | Yes |
| Notes to the Accounts (Note 8 onwards) | We identified that additional disclosure should be added to the accounts to clearly state that the notes to the accounts relate to the single entity only. | Yes |
| Note 8 – Expenditure and Funding Analysis | We identified that narrative should be added to state that the Adjustments to Usable Reserves Permitted by Accounting Standards related to depreciation.<br>The same disclosure was be added as a footnote to the EFA as was added to the CIES. Additional disclosure was added as a footnote to confirm the detail around the material income and expenditure line which is included in the EFA. | Yes |

# A. Audit adjustments (6)

## Misclassification and disclosure changes (continued)

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| Note 9 - Expenditure and Income Analysed by Segment and Nature | We identified that the note detailing income and expenditure by nature should be amended so that it agreed more easily to other areas of the financial statements. | Yes |
| Note 10 – Adjustments between Accounting Basis and Funding Basis under Regulations | We identified that the statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) figure was incorrect. The statutory repayment of debt was amended to disclose £0.954 million of capital expenditure was financed from revenue balances.<br>We identified that the note did not distinguish between the ‘ adjustments to usable reserves permitted by accounting standards ‘ and ‘adjustments between accounting basis and funding basis under statutory provisions’. The Council have updated the disclosure. | Yes |
| Note 15 – Property, Plant & Equipment | We identified that the PPE table required to be amended to clearly show the introduction of the Right of Use asset into the accounts.<br>We identified that the PPE revaluations table did not reconcile to the gross book value or net book value of the asset classes referred to in the main note and needed to be amended to show the correct information.<br>Additional disclosure was added to the note to confirm the extension of the statutory override for Infrastructure assets until 2027. | Yes |
| Note 19 - Financial Instruments | We identified that the financial instruments disclosure incorrectly included fair value disclosures. Under IFRS 16, the fair value of lease liabilities should no longer be included as a financial instrument. The financial instruments table was amended by the Council.<br>We identified that the lease liabilities in relation to the Right of Use asset should be separately disclosed within financial instruments. | Yes |

# A. Audit adjustments (7)

## Misclassification and disclosure changes (continued)

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| Note 19 - Financial Instruments (continued) | We identified that the Council should add additional disclosure to the financial instruments table to make it clear the split of PWLB loans between long-term and short-term borrowing. | Yes |
| Note 25 – Short-Term Creditors | We identified that the receipts in advance line required to be amended to provide an accurate reflection of the creditors balance | Yes |
| Note 36 - Grant Income and Contributions | We identified that the split of this note did not agree to Note 9 and other areas of the annual accounts and requested the Council review and update the disclosure to provide an accurate reflection of the grant income received. | Yes |
| Note 37 – Related Parties | We identified that the related party note incorrectly disclosed two organisations which did not meet the definition of related parties. The disclosure was amended to remove both organisations | Yes |
| Note 38 – Capital Expenditure and Capital Financing | We identified that the Capital Financing Requirement did not include the £12.076 million for the introduction of the new Right of Use assets onto the Balance Sheet. This was amended by the Council. | Yes |

# A. Audit adjustments (8)

## Misclassification and disclosure changes (continued)

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| Note 40 – Leases (Council as a Lessor) | We identified that the right of use asset disclosure did not identify leases already recognised at date of application and any subsequent additions during 2024/25. We also identified the accounts did not adequately disclose the difference between the operating lease commitments at 31 March 2024 (discounted using the incremental borrowing rate) and the lease liabilities at the date of initial application. Additional disclosure was added to the accounts<br>We identified that the Council as a lessor disclosure did not contain all applicable leases, as there were several leases incorrectly excluded from the calculation due to a formula driven error in the operating lease working paper. The Council have amended the operating lease disclosure which resulted in the future minimum lease payments receivable under non-cancellable leases in future years increasing by £14.248 million to £61.480 million.<br>We identified that the operating lease lessor disclosure was not in line with Code section 4.2.4.20 which requires undiscounted lease payment for each of first five years and the total of amounts for remaining years. The Council amended the disclosure.<br>We identified that the weighted average interest used in the calculations of the lease liability needed to be included in the disclosure. | Yes |
| Note 41 - Public Private Partnership and Similar Contracts | We identified that the transition adjustment for change in accounting requirements in line with IFRS 16 was not specifically stated in the accounts. As there was no impact on closing balances, this was not amended in the financial statements. | No |
| Note 43 – Defined Benefit Pension Schemes | We identified that Note 43 included a disclosure error whereby retirement benefits payable to pensioners was included twice. The additional line was removed from the accounts.<br>We identified that the reconciliation of the movement on the asset ceiling required by Code 6.4.3.45 was not included in the accounts and requested the Council added this disclosure. | Yes |

# A. Audit adjustments (9)

## Misclassification and disclosure changes (continued)

| Disclosure | Auditor recommendations | Adjusted? |
|---|---|---|
| Note 43 – Defined Benefit Pension Schemes (continued) | We identified that the reconciliation of movements in the FV of the scheme assets did not distinguish between the remeasurement element and the amount attributed to interest and therefore did not meet the requirement of the Code 6.4.3.35-36. The accounts were amended to include this disclosure.<br>We identified that additional disclosure was required to confirm the reasoning for the change in pension portfolio due to the new actuary having different investment strategy.<br>We identified that additional disclosure was required to set out the expected future year's pension cost.<br>We identified that additional disclosure was required for the legal judgement on the Virgin Media case, including the impact of the case and appeal decision, the potential impact on the financial statements and why this cannot be quantified. | Yes |
| Note 45 – Financial Instruments | We identified the following changes to the financial instruments note:<br>• Credit risk: Impairments 6month - 1year was amended from £0.017 million to £0.425 million<br>• Credit risk: Debtors aging figures were amended from £2.202 million to £2.205 million for less than six months, £0.849 million to £0.878 million for six months to one year and £1.123 million to £1.175 million for more than one year<br>• Liquidity risk: The repayment in more than 15 years aging was amended from £67.745 million to £91.550 million due to our review of the updated repayment schedule | Yes |

# A. Audit adjustments (10)

## Impact of unadjusted misstatements

The table below provides details of all non-trivial errors which we identified during the course of our 2024/25 audit which management decided not to amend within the final set of financial statements. The unadjusted misstatements will be included in the Letter of Representation.

| Detail | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000 | Impact on total gross expenditure £'000 | Reason for not adjusting |
|---|---|---|---|---|
| **Cash and Cash Equivalents (Prior Year)**<br>We identified that the cash and cash equivalents figure in the 2023/24 accounts was incorrect. This was a result of funds held on behalf of the Trust Funds being included as a cash and cash equivalent in the Balance Sheet when it should have been removed on consolidation<br>Note: The prior year cash flow statement detailed the correct closing position which was carried over correctly to 2024/25 | | Dr Creditors<br>£2,252<br>CR Cash and Cash Equivalents<br>(£2,252) | Nil | Non-material error. |

# A. Audit adjustments (11)

## Impact of unadjusted misstatements

| Detail | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000 | Impact on total gross expenditure £'000 | Reason for not adjusting |
|---|---|---|---|---|
| **Right of use asset and associated liability**<br>We identified that five leases were not included as a right of use asset. If these asset were included, the impact would be an increase in the opening right of use asset figure of £1.123 million and an increase to the opening lease liability figure of £0.866 million. The Council have not adjusted the accounts for this issue. | | Dr Right of Use Assets<br>£1,123<br>CR Lease Liability<br>£866<br>CR Creditors<br>£257 | Nil | Non-material error. |

# A. Audit adjustments (12)

## Impact of unadjusted misstatements in the prior year

The table below provides details of all unadjusted misstatements brought forward from the 2023/24 audit. Management did not amend the financial statements for these errors, as they were not material. The impact for 2024/25 is not material and therefore management did not amend the current financial statements for these prior period unadjusted errors.

| Detail | Statement of Changes in Net Expenditure £'000 | Statement of Financial Position £'000 | Impact on total net expenditure £'000 | Reason for not adjusting |
|---|---|---|---|---|
| **PPE – Other Land and Buildings (2023/24)**<br>This related to an incorrect professional fees percentage being used in the revaluation of two assets resulting in PPE – Other Land and Buildings being overstated.<br>This means that the 2024/25 PPE balance would be overstated by £2.089 million and the Revaluation Reserve overstated by £2.089 million. | | DR Revaluation Movements £2,089<br>CR Property, Plant and Equipment £2,089 | Impact on net expenditure and funding is nil as this would be a balance sheet technical adjustment | Non-material error. |
| **Capital Financing Requirement (2023/24)**<br>This was the difference between the Capital Financing Requirement included in the accounts and the total Capital Financing Requirement figure which should have been disclosed.<br>This means that the 2024/25 CFR would be overstated by £0.569 million and the Unusable Reserve overstated by £0.569 million. | | DR Unusable Reserves £0.569m<br>CR Capital Financing Requirement £0.569m | Impact on net expenditure and funding is nil as this would be a balance sheet technical adjustment | Non-material error. |

Note: In not amending the items identified on pages 92 and 93 for the in year unadjusted misstatements and assessing the cumulative misstatements brought forward in 2024/25, the amounts combined are not material to the 2024/25 accounts.

# B. Action plan and recommendations – financial statements audit

We have identified two financial statement recommendations for Moray Council and the group during our audit of the financial statements for the year ended 31 March 2025. We have agreed our recommendations with management and will report on progress on these recommendations during our 2025/26 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being report to you in accordance with auditing standards.

| Assessment | Issue and Recommendation | Management Response |
|---|---|---|
| High | **1. Asset Revaluation**<br>The audit team met challenges when completing work on the significant risk area relating to valuations of land and buildings and council dwellings. We identified several errors in the valuation reports provided to audit and instances where data had not been updated from the previous year.<br>We have been made aware that the valuer will be changing in 2025/26 and the Council will need to ensure the requirements of the audit are understood and factored into the work programme to allow timely and comprehensive response to audit queries<br>**Recommendation:**<br>The Council should ensure there is early discussion with the new valuer and external auditors and ensure capacity is built into the future work program to deal with audit responses and queries timely and comprehensively | A preliminary meeting is been arranged for September 2025<br>**Action Owner:** Head of Housing, Properties and Communities<br>**Timescale for implementation:** 31 March 2026 |

- ● High – significant effect on the financial statements.
- ● Medium – limited effect on the financial statements.
- ● Best practice

# B. Action plan and recommendations – financial statements audit (2)

| Assessment | Issue and Recommendation | Management Response |
|---|---|---|
| Medium | **2. Asset Verification Exercise**<br>From our review of the Fixed Asset Register, the Council has approximately £6.329 million of assets held at Nil NBV. To confirm these assets remain operational, the Council should complete an asset verification exercise. The asset verification exercise should be implemented as business-as-usual going forward, therefore ensuring that assets are removed from the Fixed Asset Register as they are disposed.<br>**Recommendation:**<br>The Council should ensure that the asset verification exercise is implemented as a business-as-usual activity in future years. | The Council is continuing its work on assets at nil value and work is already underway to embed this as a business-as-usual practice in conjunction with service departments going forward.<br>**Action Owner:** Chief Financial Officer<br>**Timescale for implementation:** 31 March 2027 |

● High – significant effect on the financial statements.
● Medium – limited effect on the financial statements.
● Best practice

# C. Action plan and recommendations – wider scope and best value

We have set our below, based on our audit work undertaken in 2024/25, two recommendations arising from our wider scope and best value audit work:

| Recommendation | Agreed management response |
|---|---|
| **1. Capital Planning**<br>The Council have a history of processing significant changes to capital budgets during the financial year. In 2024/25, the initial capital budget planned expenditure of £49.662 million, however following several significant amendments, the final agreed budget was £30.268 million. The Council have implemented a new three year planning approach to capital in order to manage expenditure over a wider period.<br>We have reviewed an advance copy of the 2025/26 Quarter 1 Capital Monitoring report. Despite the changes to capital planning, the budgeting issues have continued to arise during 2025/26, with significant changes being made to the capital budget.<br>**Recommendation:** The Council must ensure that the capital budget set in advance of the financial year is realistic, reducing the need for significant budget amendments in the first months of the financial year | The Council is reviewing its three-year capital plan and capacity to spend is part of that review. Capital budget managers are being challenged to develop more detailed timelines for their projects to improve forward planning.<br>**Action Owner:** Service Manager – Strategic Finance<br>**Timescale for implementation:** 31 January 2026 |

# C. Action plan and recommendations – wider scope and best value (2)

| Recommendation | Agreed management response |
|---|---|
| **2. Management restructure**<br>During 2025, the Council have undertaken a review of the corporate management structure with a view to adding capacity to key areas. The new management structure went live on 1 September 2025 and recruitment to the vacant posts is underway.<br>Successful recruitment to vacant posts will be key in embedding the revised management structure. In recent years, the Council have had recruitment issues and there is a risk that vacant posts may not be filled which could impact the level of change the Council are seeking from the change in structure.<br>**Recommendation:** The Council must ensure that whilst it is actively recruiting suitable candidates, that plans are in place should they fail to recruit to key posts.<br>The Council should review the legal structures that underpin the changes in the management structure, including the scheme of delegations and standing orders.<br>Following implementation of the new structure, the Council should also perform a standback evaluation to assess whether the objectives of the new approach were achieved. | Recommendation agreed.<br>Interim arrangements will be in place until recruitment is completed, and alternative plans developed should key posts not be recruited to. The governance documents will be updated to reflect the new structure.<br>Outcome indicators are being developed to assess whether the objectives of the new approach are achieved.<br>**Action Owner:** Chief Executive<br>**Timescale for implementation:** 31 March 2026 |

# D. Action plan and recommendations – best value thematic 2024/25

We have set out below, based on audit work performed in 2024/25, the eight recommendations arising from the best value thematic review. Given the timing of our reporting on the thematic, no follow up on recommendations has been made at this time.

| Issue / risk | Recommendation | Agreed management response |
|---|---|---|
| **1. Project monitoring**<br>Quarterly reports are provided to committee for formal reporting and provide an update of progress on the specific project areas. The monitoring reports presented to Committee could be improved by clearly identifying how each project links to the Corporate priorities of the Council. Furthermore, providing additional information relating to the quantified costs and the projected benefits of each project would allow for greater scrutiny.<br>In the current format, the monitoring report does not provide any context in relation to the direction of travel of each project or contain benchmarks on what differentiates a project between green, amber or red.<br>Adding this information to the monitoring reports will provide members with fuller detail and the ability to provide greater scrutiny over the projects within the Transformation Strategy. | The Council should review the content of the reporting provided to members on the Transformation Strategy. The Council should ensure the reporting includes an appropriate level of detail which will provide members with sufficient detail in order to scrutinise progress and make effective decisions. | The committee reporting format will be reviewed to ensure that the appropriate level of detail is available to committee<br>**Action Owner:** Depute Chief Executive (Education, Communities and Organisational Development)<br>**Timescale for implementation:** September 2025 |

# D. Action plan and recommendations – best value thematic 2024/25 (2)

| Issue / risk | Recommendation | Agreed management response |
|---|---|---|
| **2. Future budget plan**<br>Looking ahead into future years, the Council must ensure that the Transformation Strategy is the key driver for addressing identified budget gaps over the longer term. The Council should not revert to the use of reserves for balancing the budget. | The Council should ensure that the MTFS is linked to the overall Transformation Strategy and is the catalyst for identifying future efficiencies | The latest iteration of the MTFS includes linkages to the Transformation Strategy. The MTFS indicates that the main drivers for reducing the budget gap are to be found in the Transformation Strategy, however it does not specifically state that these drivers are embedded in the Transformation Strategy. This will be clarified in the next iteration of the Medium to Long Term Financial Strategy.<br>**Action Owner:** Chief Finance Officer<br>**Timescale for implementation:** February 2026 |
| **3. Annual report on transformation**<br>There are a number of transformational projects ongoing outwith the regular reporting cycle for the Transformation Strategy. For assurance purposes, the Council should review its overall reporting on transformation and produce an annual report which brings all projects the Council consider as transformational into one document to members. | The Council should prepare an annual report which provides a progress update on all transformation projects. | All transformation work is now captured within the Transformation Strategy and the Moray Growth Deal programme. Both are extensive programmes of work that would be very large within a single annual report.<br>Annual reporting for the Transformation Strategy will be aligned with the annual reporting for MGD from 2026 forward.<br>**Action Owner:** Executive Director (Finance, Strategy & Transformation)<br>**Timescale for implementation:** June 2026 |

# D. Action plan and recommendations – best value thematic 2024/25 (3)

| Issue / risk | Recommendation | Agreed management response |
|---|---|---|
| **4. Delivery timetable from transformation projects**<br>Updates on the progress of the projects included within the Transformation Strategy are reported quarterly to the Corporate Committee. The most recent update confirmed that there are several projects which are now behind schedule and the Council will need to consider whether the initial timetable for these projects is still attainable. | The Council should put in place a rolling schedule of timetable review for projects to confirm they remain achievable, ensuring that when delays occur, the Council is sighted on the delay and can put in place appropriate actions | The report to the Corporate Committee on 10 June 2025 noted the reasons for projects being behind timescale and the remedies proposed. The last overall review of all projects within the programme was undertaken as part of the refresh and refocus of the programme reported to the Council on 13 August 2024. Consideration will be given to the timing and continuation of the current set of projects as Stage 3 of the Transformation Strategy is prepared for reporting in the autumn of 2025.<br>**Action Owner:** Depute Chief Executive (Education, Communities and Organisational Development)<br>**Timescale for implementation:** December 2025 |
| **5. Reporting of outcomes**<br>The Council prepare End of Project reports which provides full detail on the outcome of projects. These reports are comprehensive and provide context on the outcomes of projects, including whether the project has achieved predicted financial or service delivery benefits. These reports are not currently presented to members for oversight. | The Council should report the high-level outcomes of completed transformation projects to members. | Outcomes from end of project reports and interim project learning reports will be reported to committee<br>**Action Owner:** Project Owner<br>**Timescale for implementation:** As projects conclude |

# D. Action plan and recommendations – best value thematic 2024/25 (4)

| Issue / risk | Recommendation | Agreed management response |
|---|---|---|
| **6. Workforce capacity**<br>The Council recognise capacity is a significant barrier, and the rural nature of Moray adds to complexity when recruiting. The Council are undertaking a corporate management review which will consider how to ensure the Council is appropriately resourced moving forward, with a view to implementation of approved changes by August 2025. | The Council should implement the agreed changes to the corporate management structure and commit to reviewing and refreshing as appropriate in future years.<br>The Council should ensure it has appropriate capacity at senior levels, ensuring the Council has the correct mix of skill and experience, to support the Council in its transformation journey. | Management structure changes will be implemented.<br>**Action Owner:** Chief Executive<br>**Timescale for implementation:** September 2025 |
| **7. Delivery of transformation programme**<br>An officer group is refreshing programme governance to ensure that while all necessary due diligence is completed, this is done in an effective and efficient manner. The Council have several transformation projects in development, however there is a risk that too much time is being spent on developing plans which is taking away focus from implementation. As part of the governance refresh, the Council need to ensure there is an appropriate balance between planning and delivery to ensure transformation of services can be delivered at the correct pace. | The Council need to find the correct balance between planning and delivery to ensure transformation of services can be delivered at the correct pace. | Project governance will be reviewed<br>**Action Owner:** Executive Director (Finance, Strategy & Transformation)<br>**Timescale for implementation:** March 2026 |

# D. Action plan and recommendations – best value thematic 2024/25 (5)

| Issue / risk | Recommendation | Agreed management response |
|---|---|---|
| **8. Approach to digital**<br>The Council recognise that the scale and extent of digital development that is required to support transformation as well as digital maturity is extensive. There are a range of IT systems and integration, and the current ICT architecture presents challenge due to a lack of integrated systems. The Council is monitoring work being undertaken through the Improvement Service and COSLA to identify key lessons and points for local development. The Council understand that digital will be an integral part of transformation in future years. | The Council should formalise the approach to digital and set this out in a Digital Strategy for presentation to members. The Digital Strategy should be linked to transformation and be one of the Council's key policies | Digital services is included within the Transformation Strategy and work is well progressed towards reporting the Digital Strategy to committee in September 2025.<br>**Action Owner:** Depute Chief Executive (Education, Communities and Organisational Development)<br>**Timescale for implementation:** September 2025 |

# E. Progress against Controller of Audit recommendations

We have set out below, our follow up of the recommendations made by the Controller of Audit in her report of March 2024, alongside the previous update in September 2024 and a progress update at September 2025. Of the nine recommendations raised in the report, six are now closed with the remaining three in-progress. One of the in-progress recommendations was not originally due for completion, whilst the remaining two have revised timescales for implementation.

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| 🟩 Closed | The council should ensure that members work effectively together to act on key decisions in an effective and efficient manner. | Work progressed as planned on collaborative leadership with the external consultant work completed on 31 May which included several facilitated sessions for officers and members in various permutations with confidential lists of agreed improvement actions being produced.<br>A report was presented to Corporate Committee in August 2024 setting out progress and planned next steps. This action is now being jointly led by the Leader of the Council and the Interim Chief Executive.<br>All actions within this BV theme are currently on target.<br>**Action ongoing and a further update on collaborative leadership is planned in December 2024.** | **Management Response:** A survey was circulated to all members and senior officers and the outcome is included in the BVAP update report taken to the Corporate Committee on 10 June 2025. Overall, feedback is that there have been improvements. It is planned to continue to hold joint member/officer events which have been recognised as effective in progressing work and building relationships between political groups and members/officers and ensure a whole council perspective on key issues such as best value and transformation. Work will be sustained as business as usual. e.g. Best Value Self-assessment completed 3/6 and Climate Strategy Working Group 09/06.<br>**Audit Team Conclusion:** The majority of actions the Council set to ensure members were working together effectively concluded by June 2025 as planned. There is evidence that members are working together more collaboratively and the Council have processes in place to ensure members and officers work together in the future.<br>**Recommendation closed.** |

# E. Progress against Controller of Audit recommendations (2)

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| Closed | The council should ensure all Audit and Scrutiny Committee members are clear on their remit. | The third of 3 training sessions was undertaken in September 2024 with a follow up questionnaire scheduled to members for October 2024 to ascertain whether they are more confident in their roles and identify further potential training.<br>The Council's Audit and Risk manager has carried out a self-assessment with Members in terms of PSIAS to identify areas for members development and understanding.<br>**Action ongoing. This action is expected to be complete in October 2024. Training for Audit and Scrutiny Committee members will be ongoing and will be included in future central training plans for members.** | **Management Response:** Now business as usual to assess requirements and provide training e.g. As a result of the self assessment in March 2025 the following action was agreed: An investigation will be undertaken to explore the further development of the scrutiny functions within the Council. This process will involve researching how other local authorities operate their scrutiny functions in order to identify any best practices. The review is expected to be completed by the end of September 2025, and the Committee will receive a report detailing any proposed changes by 31 December 2025.<br>**Audit Team Conclusion:** The actions undertaken in response to the recommendation are now complete. The Council have introduced mechanisms to ensure members are satisfied training is appropriate, including completion of the survey in October 2024. Further changes to delivery are being investigated via discussion with other local authorities, however this does not prevent this action being concluded.<br>**Recommendation closed.** |

# E. Progress against Controller of Audit recommendations (3)

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| In progress (implementation date extended) | The council should undertake further consultation and engagement to ensure local communities are more involved in participatory budgeting | Community planning and engagement is in the early stages and work to review the role of the Community Engagement Group for community planning is ongoing but well progressed.<br>In terms of wider PB and participative involvement regarding the budget, the Council continues to develop its approach to embedding PB principles within its financial planning to enable citizens to have greater influence on decisions across council service budgets. This will build upon the successful engagement work with the community on financial planning leading up to the setting of the 2024/25 council budget.<br>**Action ongoing. Note the Council on 25 September 2024 approved an updated Engagement Strategy and Plan. Next steps are to implement the information and awareness.** | **Management Response:** The Council is launching the new Moray Engage tool to expand and improve online engagement. This will incorporate the capturing of views from the community to influence the decisions the council makes across its financial planning. This will be applied to specific exercises and to the whole council financial planning. A citizens panel-type approach will be developed later this year.<br>Examples of the significant range of community engagement work that the council has undertaken include: library user groups; leisure user groups; school estate planning; bus revolution<br>Embedded as business as usual.<br>**Audit Team Conclusion:** The Council have taken steps to address the recommendation and further developments are planned later in the year to ensure communities have their opinion on how the Council spends its money. This is still a work in progess and the Council need to continue to develop overall approach to Participatory Budgeting.<br>**Recommendation remains valid.**<br>**Timescale for implementation:** 31 March 2026 |

# E. Progress against Controller of Audit recommendations (4)

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| In progress<br>(on schedule) | The council needs to finalise the performance and delivery framework for its new Corporate Plan. It should implement annual self-evaluation to identify strengths as well as areas for improvement | Service Plans embedding Corporate Plan priorities and delivery timescales were agreed in relevant service committees in June. Service plans give a clear cross reference in the corporate section in order to show links to corporate plan priorities and report to service committees to ensure oversight of achievement of priorities. The Corporate Management Team is taking an increased focus on performance management with one meeting in each 4 week cycle set to review performance and ensure corporate priorities are met.<br>A survey of services to progress PSIF is complete. A 3 minute brief is due to CMT in October 24 to agree methodology for the approach to PSIF. A review schedule will then be agreed with services. improvements from this process will then be incorporated into service plans/team plans/Employee Review and Development (ERDP) where appropriate.<br>**Action ongoing** | **Management Response:** The PSIF programme has been re-established with the support of the IS - HR, ICT&OD completed in June and an ongoing programme is in place. Performance reporting format has been refined to give improved insight to progress monitoring.<br>**Audit Team Conclusion:** The Council continue to work towards a completion date of March 2026 for the implementation of an approach to self-evaluation, in line with the agreed timescales in the BVAP. A  programme to re-activate PSIF has been agreed by ECLT for services that do not currently use PSIF or an alternative improvement tool. The first service (HR, ICT&OD) is being supported by the Improvement Service with council officers attending to learn from the process to support further roll out across the Council. The planned programme will be reviewed and refined as experience builds.<br>A workshop was scheduled for 3 June 2025 to undertake the annual self-assessment (the second self assessment the Council have carried out). This included consultation with the Chair/Depute of ECLS and work with ECLT ahead of the workshop session.<br>The Council are still aiming to introduce service scorecards and need to confirm whether current systems are designed to meet the scorecard expectations. This remains a work-in progress.<br>The Council's journey to self-evaluation remains ongoing.<br>**Recommendation remains valid.**<br>**Timescale for implementation:** 31 March 2026 |

# E. Progress against Controller of Audit recommendations (5)

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| Closed | The council needs to report performance in a more timely manner | The PPR was reported in June 2024 with an improved format and content, including the LGBF results for 2021/22 and 2022/23. Service performance, including Corporate Plan indicators, are reported six-monthly to service committees.<br>An annual planner is in place to ensure the that reports are brought forward in a timely manner.<br>Work is ongoing to improve the use of performance data by using digital tools to provide a performance overview present key performance data in a flexible way.<br>Work is being carried out on the Council's website to ensure greater clarity and accessibility of information related to the Council's corporate priorities. This is being updated to link to the new council corporate plan priorities to ensure that performance pages and links are up to date and that that they are easy to navigate for members of the public.<br>**Action ongoing. Note that the Annual Performance Report for 2023/24 was produced timely by the Council.** | **Management Response:** The format of the Council Annual Public Performance Report (PPR) has been reviewed and will be accessible as a webpage rather than a published document, to aid accessibility and be more engaging for readers. KPIs and trend data have been included as part of the revised approach.<br>**Audit Team Conclusion:** The Public Performance report was presented to the June 2025 Council meeting - the Council are reporting performance information in a more timely manner, as both the 2023/24 and 2024/25 Performance Reports have been presented by end of June 2025.<br>**Recommendation closed.** |

# E. Progress against Controller of Audit recommendations (6)

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| Closed | The council needs to increase its pace of transformation and identify savings to ensure its financial sustainability | The refresh and refocus of the Transformation Strategy is complete and approved by the Council in April 2024. An update on the strategy was provided to Council in August 2024.<br>Initiatives are in train and considered by Officers and Members at budget workshops in August 2024. The Council has also taken account of feedback from community engagement in the further development of the transformation project for Leisure services.<br>The medium to long term financial strategy will be updated to incorporate the Transformation Strategy refresh and is expected to be reported to Council in December 2024.<br>Action ongoing | **Management Response:** The Council continues to work on the development of the next stage of the Transformation Strategy and held a member workshop on 18 March 2025 and a senior leadership forum workshop for officers on 10 June 2025 to provide direction. A report to council is scheduled for the autumn. In the meantime, the Transform Council Board continues to monitor progress, and the most recent quarterly update was considered at the Corporate Committee on 10 June 2025.<br>The Medium to Long Term Financial Strategy was reported in December as planned.<br>**Audit Team Conclusion:** The Council have identified all required savings needed to balance the budget for 2025/26 and have taken steps to identify the remaining savings required over the length of the medium-term financial plan<br>We have reviewed the approach to transformation as part of our BV Thematic review and identified further recommendations for the Council. We presented our findings to the August 2025 Council meeting and will follow-up the Council's progress in our 2025/26 audit.<br>This recommendation has been superseded by the recommendations raised in our thematic work.<br>**Recommendation closed.** |

# E. Progress against Controller of Audit recommendations (7)

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| Closed | The council should keep the affordability of its capital plan and related revenue implications under review | The Council intend to introduce an estimate of the % of revenue funding planned to be spent on finance costs as a performance indicator in refreshed capital monitoring reports from Q2 onwards.<br>The Capital Plan and programme delivery is now reviewed on a monthly basis by the CMT as part of the standing agenda for Finance CMT. The CMT now includes the Section 95 Officer and Monitoring Officer as permanent attendees.<br>Action ongoing | **Management Response:** Reported to Council in January 2025 and affordability cap has been set. PI for affordability has been exceeded but only because of the impact of IFRS16 so presentational and PI will be reviewed. This is now part of our normal financial planning process<br>**Audit Team Conclusion:** The Council is required to establish the affordability of its Capital Plan in accordance with the CIPFA Prudential Code. Under the code, the sustainability of borrowing costs need to be considered against revenue budget.<br>The Council approved a methodology for keeping capital expenditure within affordable limits (known as the cap) at the Special Council meeting held on 22 October 2024. The Council established an affordability ceiling of 10%, in line with CIPFA guidance.<br>The Council have considered the cap in producing the 2025/26 – 2027/28 Capital Plan. The cap has been spread over the three-year period, effectively smoothing out the cap.<br>This will be a regular feature of capital planning going forward and will ensure the Council has considered if its expenditure on capital activities will be affordable in future years.<br>**Recommendation closed.** |

# E. Progress against Controller of Audit recommendations (8)

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| In progress (implementation date extended) | The council should continue to monitor any slippage of the capital plan | In addition to the work on budget monitoring referred to above, the initial focus of work in this area is to review the phasing of capital expenditure as notified by capital budget managers. Currently this is heavily weighted towards quarter 4 of the year. A system of performance management is being prepared for trial including planned v actual spend profile and cost outturn including delivery against the various milestones and to assist in giving early warning of potential slippage.<br>**Action ongoing with the first report expected to be encompassed in the quarter 2 2024/25 report.** | **Management Response:** Work with capital budget managers appears to be giving results with slippage considerably less that has been the case previously. Spend at 31 March 2025 90% of budget (2023/24 - 71%) This is part of our normal monitoring process.<br>**Audit Team Conclusion:** The Council's initial capital budget for 2024/25 was £49.662 million. During the year, significant alterations were made to the plan, resulting in a revised budget for the year totalling £30.268 million. The year-end outturn for capital was £27.219 million, meaning that capital slippage for 2024/25 was approximately 90% of the final capital budget. However, the year-end slippage of 90% was only as a result of the changes made in year to the budget - the year end outturn was significantly different to the initial planned budget.<br>From 2025/26 onwards, the Council are changing to a three-year planning approach for capital. The Council anticipate budget managers will be more realistic in terms of spend profiles and it should also encourage budget managers to lengthen the period over which capital is spent. Annual revisions to the capital programme will be carried out to reflect any additional funding or other changes to the capital programme.<br>We will continue to monitor capital outturn and confirm this recommendation remains valid due to the there being significant slippage during the year from the initial capital budget.<br>**Recommendation remains valid.**<br>**Timescale for implementation:** 31 March 2026 |

# E. Progress against Controller of Audit recommendations (9)

| Assessment | Recommendation | Position at September 2024 | Update at September 2025 |
|---|---|---|---|
| Closed | The council should review its forecasting process to ensure the most accurate projections | In the 2023/24 outturn revenue variance report to council in June 2024, a variance between actual (unaudited) net expenditure and that forecast at the end of Q3 of £8.975m was reported, a 0.03% variance on the 23/24 budget as set in March 2023 of £260.84m. No material changes to this are anticipated in the annual audit process.<br>The CFO and Senior Accountant will develop guidelines for estimating revenue spend prior to preparation of the estimated actuals for the year to be reported to Council in December 2024. The focus will be on ensuring accurate forecasting of use of ear-marked reserves and anticipated release of central provisions.<br>Action ongoing | **Management Response:** Capital forecasting has been improved through increased monitoring and improved planning which has reduced the gap.<br>Revenue forecasting guidelines have been applied within Accountancy. Overall forecast and actuals were close after allowing for transfer to ear-marked reserves.<br>**Audit Team Conclusion:** We have reviewed the forecasting of both revenue and capital outturn position for the year. The Council reported a minor £1.007 million overspend against its revenue budget, and the revenue monitoring reports taken to Committee during the year did not include significant unexplained variances.<br>In respect of capital outturn, the Council made significant changes to the capital budget throughout the year, with all updates subject to approval. There is a clear trail of the updates made; however, the planned capital budget was subject to significant update during the year due to known slippage of the programme. There is a separate audit recommendation on monitoring capital slippage and based on the reporting to Committee throughout 2024/25, this recommendation can be closed.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations

We identified the following issues in our prior year audits of Moray Council's financial statements, which resulted in 13 recommendations being reported in our 2023/24 Audit Findings Report. We have performed additional work in year to obtain assurance whether the recommendations from prior years have been closed and resolved in the current year or whether the issue still exists and the recommendation remains open and/or in progress. Eight out of 13 recommendations have been cleared with one in progress and four still open.

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| 🟥 Open | **Working Papers**<br>The working papers presented for audit is an area where improvement is required. The audit team had a challenge in agreeing information from the accounts to the trial balance, particularly in relation to internal recharges. Many of working papers presented for audit contained only 'hard coded' information. This made it difficult to understand how numbers included in the financial statements had actually been calculated. The Council have recognised there is an underlying issue with the working papers presented for audit and intend to undertake a refresh in the near future.<br>**Recommendation**<br>Review the working papers presented for audit, ensuring they contain all required information and justification as to how figures included in the financial statements have been calculated, | GT provided a workshop on best practice and staff have been told of expectations regarding working papers. | The working papers presented for audit were largely in the same format as previous years. There continued to be instances where "hard coded" information was included in the working papers.<br>The finance team have confirmed they intend to review working papers being prepared and presented to audit.<br>**Recommendations remains valid.**<br>**Revised Target Date:** 31 March 2026 |

● [Red] Recommendation is open
● [Amber] Recommendation is in progress
● [ Green] Recommendation is closed

# F. Follow up of prior year recommendations (2)

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| In progress | **Finance Team Capacity**<br>During the 2023/24 audit, there has been a high turnover of staff in key positions within the finance team. There remains one vacant post within the finance team and the Council should seek to add additional capacity to ensure future audits can be delivered to target deadlines.<br>**Recommendation**<br>The Council should ensure the finance team has a sufficient level of staff to cope with the demands of audit. | There remains one vacant post, which is being covered by acting up arrangements and back fill, successive attempts to recruit to the post have been unsuccessful.  The team has been impacted by sick leave. | The Council have made attempts to recruit additional finance team members which has proved challenging. As part of the management restructure which commenced in April 2025, the Council has considered the need for additional finance team capacity with additional posts created and recruitment is now underway.<br>**Recommendation remains valid.**<br>**Revised Target Date:** 30 June 2026 |
| Closed | **Client response time**<br>The time taken for the finance team to respond to audit queries, in particular our audit samples, was often outside of expected time ranges. We recognise that whilst our audit requests go directly to finance, they can often involve requesting information from other service areas within the Council, leading to delays in getting supporting documentation to audit. The Council should ensure all services have an awareness of the audit timeline which will aid response times in future years. | Response to audit queries has now been included in the Council's Financial Regulations to act as a reminder to service staff that there is an expectation they will respond to audit queries. | The response time to our audit queries improved during the 2024/25 audit and it was clear the finance team gave additional focus in responding to audit queries. We have raised a separate recommendation in relation to the response to asset valuations queries which is outwith the finance team's remit.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (3)

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Management Commentary disclosures**<br>The Management Commentary could be improved by including more infographics and making the content more user friendly. As an example, the Council priorities could be given more prominence using infographics as opposed to only narrative content.<br>**Recommendation**<br>The Council should review the Management Commentary disclosure and consider the use of infographics to make the document more user friendly. | A number of new infographics have been included in the draft management commentary and the graphics design team have been asked to develop and include more. | The management commentary has been revamped during 2024/25. It now includes several infographics which make the accounts more user friendly and present information in a better format than previous iterations of the management commentary.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (4)

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **IFRS 16**<br>In line with the Code of Audit Practice for Local Authority Accounting in the UK, the Council will be required to adopt IFRS 16 Leases in 2024/25. The Council did not choose to undertake early adoption of IFRS 16 and therefore 2024/25 will be the first year the Council will account for leases in line with IFRS 16.<br>Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2025.<br>**Recommendation**<br>The Council should ensure that it understands the full accounting requirements of IFRS 16 and have identified all potential leases which will fall under IFRS 16, if this is relevant. The Council will also need to ensure that it revises its accounting policies for the year ended 31 March 2025 to reflect the requirements of this accounting standard. | IFRS 16 implemented during 2024/25. | The Council required to adopt IFRS 16 Leases for the first time in 2024/25. Under IFRS 16, the Council was required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position, which resulted in significant changes to the accounting for leased assets and the associated disclosures in the financial statements.<br>We undertook detailed audit work on the introduction of right of use assets and liabilities. We identified several issues with the disclosures included in the draft accounts and the Council processed relevant updates to ensure compliance with the CIPFA Code of Audit Practice.<br>We also identified errors in the calculations of the right of use assets and associated liabilities. The right of use asset was understated by £1.123 million and the associated liabilities understated by £0.867 million. The Council have not amended for the errors identified as they were below performance materiality, however the Council have provided the re-worked IFRS 16 calculations and the audit team have confirmed they are in line with expectations. They updated calculations will be used in the 2025/26 accounts.<br>Based on the fact IFRS 16 has been effectively introduced into the accounts, we consider this recommendation closed.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (5)

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Open | **Accounting for Infrastructure Assets**<br>In accordance with the temporary relief offered by Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets, the 2023/24 accounts did not include disclosure of gross cost and accumulated depreciation for infrastructure assets. This is due to historical reporting practices and resultant information deficits meaning the asset position would not be accurately presented in the financial statements.<br>The Statutory Override is temporary and whilst it will continue to apply in 2024/25, the Council need to ensure their records are up-to-date and in a position where they could disclose the correct information in the accounts if required.<br>**Recommendation**<br>The Council should review its accounting records for Infrastructure Assets and ensure they are up-to-date and have all required information. | Capacity has meant this has not been looked at. Given the accountant treatment is available until 2024/25 we will take advantage of it. | The statutory override has been extended in Scotland until 31 March 2027. The Statutory Override is temporary, and whilst it will continue to apply in 2025/26, the Council need to ensure their records are up-to-date and in a position where they could disclose the correct information in the accounts if required.<br>Whilst there will be no requirement to include this information in the 2025/26 accounts, as part of the look ahead process, the Council must ensure it has adequate processes in place to account for its Infrastructure Assets when the statutory override is no longer in place.<br>**Recommendation remains valid.**<br>**Revised Target Date:** 31 March 2027 |

# F. Follow up of prior year recommendations (6)

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Trial Balance**<br>The trial balance presented for audit did not reconcile to the financial statements. This presented difficulties for the audit and held up our issuing of audit samples as additional work required to be completed to ensure we were sampling the correct account value.<br>**Recommendation**<br>The Council should ensure it is presenting a complete version of the Trial Balance for audit and that it agrees to the financial statements. | Continuously looking at this with more work being done during audit planning. | The trial balance presented for audit in 2024/25 reconciled to the financial statements.<br>**Recommendation closed.** |
| Open | **Revaluation Reserve Working Paper**<br>The Council do not prepare a revaluation reserve working paper which shows the balance held in the revaluation reserve and the movement on the reserve during the year. Whilst we were able to obtain this information, the Council should prepare a separate working paper which shows all required information and how movements in year have impacted each assets reserve balance.<br>**Recommendation**<br>The Council should prepare a working paper which details the revaluation reserve movements during the year. | Format will be similar to what was provided as for 2023/24 accounts. | The Council has not introduced a revaluation reserve working paper during 2024/25. As was the case in the previous year, we were able to obtain the information required to complete our audit testing, however this was on an asset-by-asset basis. The Council should maintain a revaluation reserve working paper as a matter of course.<br>**Recommendation remains valid.**<br>**Revised Target Date:** 31 March 2026 |

# F. Follow up of prior year recommendations (7)

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Superseded | **Asset Valuer**<br>The Council's valuer is retiring in September 2024 and the Council will need to ensure it has a replacement in place who can perform the revaluations exercise in 2024/25.<br>**Recommendation**<br>The Council should ensure there is early discussion with the new valuer and external auditors to ensure the new valuer is aware of the responsibilities they will need to undertake as part of the audit process. | New valuer fully engaged in year end process | Our audit review identified several instances where valuation documents had not been properly prepared. There were instances where the terms of engagement had not been appropriately updated and several references to prior year information. We requested the valuer review the information initially presented for audit and requested these were updated. The Valuer is changing in 2025/26 and the Council must ensure the new valuer understands the requirements of audit. A new recommendation has been made at Appendix B.<br>**Recommendation superseded.** |
| Closed | **Recommendation – Journals Authorisation**<br>Review the processes in place for the authorisation of journals and consider introducing a formalised method of journal authorisation. | Authorisation has been activated within the general ledger and implemented from 1 April 2025. | The Council have implemented the recommended journal controls from 2025/26. As the authorisation control was not activated until post-year end 2024/25, the introduction of the new control had no impact on our 2024/25 audit of the Council.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (8)

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Recommendation – PPE Reconciliation**<br>Review the reconciliation processes in place for the compilation of the Property, Plant and Equipment balances and associated disclosure in the financial statements to ensure they reconcile to the fixed asset register. | Lessons learned and new knowledge of Fixed Asset Register applied when preparing this year's annual accounts. | The first version of the Fixed Asset Register presented for audit contained errors which were corrected by the client. These errors were not reconciliation issues, rather changes to the note as a result of the introduction of IFRS 16. We did not identify any significant issues in the reconciliation process.<br>**Recommendation closed.** |
| Superseded | **Recommendation – UEL Policy**<br>Perform a detailed review of their useful economic lives policy and updated where appropriate.<br>Embed a formal process for reviewing assets which have outlived their useful economic lives on an annual basis, to ensure the assets are still in existence. | Work in progress. Prior year tackled vehicles, this year we tackled ICT and agreed policy to derecognise all nil value ICT assets after 7 years, | The Council are in the process of reviewing assets held at Nil NBV and intend to review further categories of assets in 2025/26. This continues to be a work-in-progress and will be supported via an asset verification exercise. We have raised a separate recommendation on the asset verification exercise which has superseded this recommendation.<br>**Recommendation superseded.** |

# F. Follow up of prior year recommendations (9)

## Recommendations from the financial statements audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| 🟥 Open | **Recommendation – Group Reserves**<br>Review the terminology within the financial statements regarding the descriptors for the group reserves and ensure all reserves on the balance sheet are categorised to unusable or usable reserves. | We have this as a note for preparing this year's annual accounts. | The Council have not processed any changes in the terminology used for group reserves and have confirmed this will be reviewed for the 2025/26 accounts.<br>**Recommendation remains valid.**<br>**Revised Target Date:** 31 March 2026 |

# F. Follow up of prior year recommendations (10)

We identified the following issues in our prior year wider scope work, which resulted in 17 recommendations being reported in our 2023/24 Audit Findings Report. We have performed additional work in year to obtain assurance whether the recommendations have been closed and resolved in the current year or whether the issue still exists and the recommendation remains open and/or in progress. 14 out of 17 recommendations have been cleared with three remaining in progress.

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Financial management – budget and savings reporting**<br>The Council produces regular and timely reports for Members on the outturns against budget and savings plans. Our review identified that while there was a lot of information, it did not always easily cross-refer between the narrative report and appendices and was not always easy to understand. Notably, there are no year-end reconciliations of budget and savings, setting out where services have under or overspent and have under or overachieved savings targets.<br>There is a risk that with the large amount of information produced, management are not providing the salient information required for Members to make efficient and effective decisions.<br>**Recommendation:**<br>The council should refresh and revisit its in-year financial monitoring reports to try and balance the information given and ensure it is in a reader friendly format. Consultation should be held with Members to establish what information they consider they need. | The Council has amended the format of revenue and capital monitoring reports and consulted with members. Summaries of financial information in table form have been reinstated. The year end report has being reviewed and the amended format reported to council on 25 June 2025. | The format of reporting has been subject to update during the year. The monitoring reports now include more tabular information which provides greater clarity on the impact of overspends and underspends against budget and the full-year impact.<br>Savings reporting during the year is now clearer, with all savings being reported on a RAG basis to members. The format of the report makes it clear which savings will be achieved in year and whether savings not being delivered in year are being deferred to a future year or are no longer achievable.<br>The information included in the monitoring reports provides a clear overview of the Council's financial position.<br>**Recommendation closed.** |

🔴 [Red] Recommendation is open
🟠 [Amber] Recommendation is in progress
🟢 [ Green] Recommendation is closed

# F. Follow up of prior year recommendations (11)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Financial sustainability – use of reserves**<br>The Council has a history of planning and using free reserves to balance the budget. While in prior years the full amount assumed to be required was not used, it was in 2023/24. If reserves are used to the level proposed in 2024/25, the Council will fully utilise their free reserves.<br>There is a risk that without replenishment of free reserves or substantial savings being identified, the Council will not be financially sustainable.<br>**Recommendation:**<br>The Council should ensure appropriate planning is put in place to either replenish free reserves or identify alternatives to balance the budgets in future years. | The budget for 2025/26 was balanced without use of reserves. The Reserves Policy was reviewed by Council on 25 September 2024 and free general reserves stands at the amended (upwards) approved minimum. | The Council required to use £12.259 million of reserves to balances the 2024/25 budget. This was higher than planned due to additional expenditure during the financial year.<br>The 2025/26 budget was agreed without the planned use of any reserve's balances. This is the first time in several years the Council have agreed a budget without intending to use reserves and reflects an improvement in the overall financial position.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (12)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Financial sustainability – budget and savings reporting**<br>The Council produces regular and timely reports for Members on the outturns against budget and savings plans. A 10-year capital plan was approved in 2024 alongside the 2023/24 capital plan.  Our review noted that the 10 year capital plan areas of spend are given in summary (by drivers for capital expenditure) and detail form (by areas of spend), but there is no cross reference between the categories, making it difficult to follow through what projects are expected to incur capital spend. Then when outturns are reported, this is done on another breakdown, making it difficult to see how the overall plan has fed into the in-year capital reporting.<br>A long-term financial strategy was completed in 2023, setting out optimistic, mid-point and pessimistic predictions of future spend and income and thus budget gap. This was a useful and informative report, but was not directly used as part of the 2024/25 budget setting.<br>Financial reporting to Members, whether in-year or future facing, should tell one story that links from one monitoring report to the next. There is a risk that the level of information being provided to Members is not easily facilitating this.<br>**Recommendation:**<br>A financial reporting standard should be established, ensuring that figures and assumptions used are carried forward and reconciled where there are changes. | Corporate Capital monitoring now uses the category of spend used when the plan was approved.  There is a reconciliation between revenue budget approved previously and current revenue budget in each revenue budget monitoring report.  The budget used in short to medium term reports and medium to long term strategy have the difference explained. | The Council have updated the format of their Capital reporting during 2024/25. There are now clear links between the agreed Capital Plan and the monitoring reports presented during the financial year. Furthermore, changes made to the Capital Plan during the year are well documented, with clear reasoning provided for the changes processed.<br>The 2024/25 in-year budgeted expenditure is the starting point for the 2025/26 budget. Included in the 2025/26 Revenue Budget is a reconciliation between the 2024/25 budget, adjusted for any known changes, to give the opening budget position for 2025/26 (which is then subject to further amendment).<br>Reference to both the Short to Medium Term and Medium to Long Term Financial Strategies are included within the 2025/26 Revenue Budget, stating the impact both strategies had on overall budget setting process.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (13)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Vision, leadership and governance – Internal Audit**<br>There are arrangements in place to ensure that systems of internal control are operating effectively. However, it is highly unusual for a Chief Internal Auditor to make a statement such as has been made at Moray Council that there are serious concerns about whether the resources available are sufficient meet the needs of the Council and partner organisations.<br>There is risk that the internal audit plan will not be completed and that the Audit and Risk Manager is stretched too thinly.<br>With a reduction in the establishment allocated to Counter Fraud and Investigations, there is a risk that preventative and detective controls are not exercised, opening the authority to fraudulent activity.<br>**Recommendation**<br>The role and activities of internal audit and the Audit and Risk Manager should be reviewed, and consideration given as to whether the role is achievable and tenable as it stands. | All council services are under careful scrutiny to ensure that resourcing is adequate to meet service requirements in the ongoing financial climate. Benchmarking with other councils and external inspections outcomes are considered alongside self-assessment and internal advice to take informed decisions. This and having received an excellent external peer review has been applied to Internal Audit and the council is satisfied that the resources within Internal Audit are sufficient therefore no further actions are proposed from management at this stage. However, the view of the Audit and Risk Manager is noted and the situation will be considered as part of the planned corporate management structure review. | There has been limited changes to the staffing function of the internal team, and we noted that internal audit failed to recruit an assistant auditor during the year. The internal audit function delivered the majority of planned audits during the year, including planned follow-ups. There is no indication that, despite the concerns raised in prior year, internal audit are failing to deliver planned activity. The Council are satisfied that Internal Audit team resources are adequate to deliver planned activity.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (14)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Vision, leadership and governance – interim appointments**<br>The Council Chief Executive, Chief Social Worker and Chief Officer of the Moray IJB are all being filled by interim appointments at the point of writing. These are significant roles, all with a role to play in the Council's governance and leadership.<br>A risk arises with reliance on interim appointments, not due to the person themselves, but the fact there is little permanence in the appointment and it can be broken at any point with little notice.<br>**Recommendation**<br>The process for the appointment of permanent staff should be expedited wherever possible. | The Chief Executive and Chief Officer of MIJB are both now in post. Plans are in place for a permanent appointment to the CSWO post and to progress this over the summer | The Council have taken steps to address the reliance on interim appointments. A new permanent Chief Executive has been appointed and commenced the role in March 2025. Furthermore, the Moray IJB Chief Officer was made permanent in November 2024.<br>The Council are undertaking a corporate management review which will consider how to ensure the Council is appropriately resourced moving forward, with a view to implementation of approved changes by August 2025.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (15)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Management update on actions taken to address the issue | Auditor conclusion |
|---|---|---|---|
| Closed | **Best Value – performance reporting**<br>The Council's performance reporting in its annual performance report is overly summarised. Details of key performance indicators or trend data is not included. There is a risk that by not including detailed performance data that true performance is not properly understood.<br>**Recommendation:**<br>The Council should seek to revisit and refresh their annual performance reporting to include key performance indicators and trend data. | The format of the Council Annual Public Performance Report (PPR) has been reviewed and will be accessible as a webpage rather than a published document, to aid accessibility and be more engaging for readers. KPIs and trend data have been included as part of the revised approach. | From 2024/25, with the agreement of the Council, the Annual Performance Report is now published on the Council's website. This is the first year the Council have issued the annual performance data in this format, and it has been designed to be more accessible and easier to view performance information. In producing the data via a webpage, the data can be updated in real-time once available.<br>The live system has a suite of published data which includes key LGBF indicators alongside the council's own performance indicators which are linked to the priorities in the Corporate Plan. The LGBF data is presented in a separate page, split across the Council's strategic priorities.<br>The Council do not intend to publish an Annual Performance Report going forward and the webpage database will include all required performance information. Regular performance monitoring reports will continue to be presented to members via the relevant committee and sub-committee.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (16)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| Closed | **Financial Sustainability - Reserves**<br>There is a risk that continued reliance on reserves to bridge funding gaps will create financial sustainability issues for the Council.<br>**Recommendation**<br>The Council will need to continue to monitor the percentage level of adequate general reserves as funding gaps continue to grow and the Council looks to transformation in future years to ensure reserves do not dip to an unsustainable level. | As part of the development of the 2025-2027 budgets, the Council is working to identify deliverable and sustainable savings to incrementally reduce the reliance on reserves and deliver future balanced budgets.<br>Work has been completed with the MIJB in developing savings proposals for 2024/25 and is ongoing within the Council in developing savings templates to assist in generating savings and efficiency proposals for 2025/26. | The aim of the Council's financial strategy was to deliver a balanced budget for 25/26. This has been achieved and there is no planned use of reserves balances.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (17)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| Closed | **Financial Sustainability - Transformation**<br>The council has not yet identified the savings and efficiencies required in order to eliminate the large funding gap predicted for 2024/25.<br>**Recommendation**<br>A depth of pace will need to be undertaken on the transformation programme to ensure the Council can bridge the significant funding gap in a short space of time. It is important that the Council and sub committees monitor the progress and delivery of the transformation programme and outcomes at a close level to ensure that not only efficiencies can be delivered but that financial sustainability can be achieved. To ensure financial sustainability for the medium to longer term, the Council will need to ensure that it is able to deliver increased productivity and efficiency initiatives to reduce costs and deliver financial benefits. The Council will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable. | The Council has refreshed and refocused its transformation strategy and has reviewed the projects in scope to ensure focus on financial benefits and identify opportunities for acceleration of new work. The Council has in place quarterly tracking and monitoring of progress. Two new spend to save projects have also been approved to forward transformation work – LED Lighting and Solar PV on council buildings and further projects are being considered including a review of the Council's out of hours service. | To achieve financial balance, efficiency savings totalling £10.9 million are required over the next three years (2025/26 – 2027/28). The Council have approved £7.9 million of savings for 2025/26 and £1.0 million for financial years 2026/27 and 2027/28. Remaining savings will be identified during 2025.<br>The Council continues to work on the development of the next stage of the Transformation Strategy in recognition of the contribution that this will make to the medium to long term financial position. The Council held a member workshop on 18 March 2025 and a senior leadership forum workshop for officers on 11 June 2025 to provide direction. A report to council is scheduled for the autumn. The Transform Council Board continues to monitor progress and the latest quarterly update was considered at the Corporate Committee in June 2025.<br>Note: We have raised a number of recommendations as part of our best value thematic work on transformation. These are outlined at Appendix D.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (18)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| Closed | **Financial Sustainability - Capital**<br>The capital plan shows a total expenditure between 2023/24 and 2032/33 of £501 million of which £400.5 million (80%) is planned to be financed through loans. This is a significant amount of planned borrowing and therefore will be revenue implications for the Council. The current capital plan could represent a risk to the Council in the longer-term.<br>**Recommendation**<br>The Council will need to review the affordability of the proposed capital plan and its revenue implications. A review of the capital plan and estates strategy should be carried out and identify through scenario planning and sensitivity analysis whether the proposed capital plan is affordable in the short to medium-term. It is also important that the Council considers what is affordable to ensure continued financial sustainability as well as identifying what capital priority areas are to ensure delivery of Council plan priorities. | Improved monitoring will be critical in delivering the capital plan. An outline project plan to provide improved capital monitoring information to budget managers has been developed. Guidance is also in development to ensure consistency and type of reporting and monitoring at CMT and across service committees.<br>A report on the operation of the council plan capping mechanism is expected to the October 2024 Council with a review of the ten year Capital Plan implementing this mechanism then to be carried out.<br>Action ongoing, but the Council revised their Capital Plan by 31 January 2024 as agreed. | The Council is required to establish the affordability of its Capital Plan in accordance with the CIPFA Prudential Code. Under the code, the sustainability of borrowing costs need to be considered against revenue budget.<br>The Council approved a methodology for keeping capital expenditure within affordable limits (known as the cap) at the Special Council meeting held on 22 October 2024. The Council established an affordability ceiling of 10%, in line with CIPFA guidance.<br>The Council have considered the cap in producing the 2025/26 – 2027/28 Capital Plan. The cap has been spread over the three-year period, effectively smoothing out the cap.<br>The revised capital plan for 2025/26 – 2034/35 shows total expenditure of £434 million, of which 50% is planned to be financed through borrowing.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (19)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| Closed | **Vision, leadership and governance – cross party working**<br>Key decisions are being made by Council members however due to issues in effective cross party working, the ability to gain support for key decisions continues to be time-consuming and challenging. This is largely due to the political make up of the Council where there the political balance is finely balanced and therefore provides challenges in progression in key decision-making areas and creating pace for change. There is a risk that progression of Council priorities is hindered due to issues in cross party working arrangements.<br>**Recommendation**<br>Issues in cross party working will make it extremely difficult for members to agree on difficult decisions that need to be made which could impact on pace of delivery of priorities, effective service delivery and financial sustainability. The council will need to ensure that members work effectively together to act on key decisions in an effective and efficient manner. We recommend that Moray Council look to implement an annual self evaluation and consider the results of this evaluation on an annual basis to identify strengths as well as areas for improvement to support continuous improvement. | Work has progressed as planned on collaborative leadership with the external consultant work completed by 31 May in accordance with the BV Action plan and a report setting out a framework for response scheduled for Corporate Committee on 27 August setting out progress and planned next steps.<br>The Strategic Leadership Forum of political leaders continues to meet and work on a cross-party basis to ensure key decisions are considered and that council priorities are progressed.<br>Members attended the first Members workshop on this budget round savings proposals on 21 August, with further collaborative working to progress in terms of the Budget Protocol which was reviewed for 2025/26 at the same session.<br>The planned work to capture improvement actions in a comprehensive action plan to address best value was achieved through a collaborative approach working with cross party members and officers at several sessions.<br>Action ongoing and planned action to December 2023 is complete with further improvement ongoing. | Further progress in collaborative working as evidenced with the decision-making processes for the 2025/26 Budget. The Council issued a collaborative working survey in February to gather member and officer views on collaborative working approach. The key findings from the survey were presented as part of the BVAP Action Plan taken to Corporate Committee on 10 June 2025.<br>The Council have introduced mechanisms to ensure members are satisfied training is appropriate. Further changes to delivery are being investigated via discussion with other local authorities.<br>The majority of actions the Council set to ensure members were working together effectively concluded by June 2025 as planned. There is evidence that members are working together more collaboratively and the Council have processes in place to ensure members and officers work together in the future.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (20)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| In progress | **Use of resources – participatory budgeting**<br>Given the financial challenges that lie ahead for the Council, decisions will need to be made regarding available financial resource and how it is allocated and prioritised, which has the potential to have a knock-on impact on service delivery.<br>**Recommendation**<br>It is important that the Council undertake more work around participatory budgeting and ensure key stakeholders including partners and individuals are involved within participatory budgeting exercises to ensure that financial resources are distributed to priority areas and is reflecting of priority areas for the local population<br>**Original Target Date:** 31 March 2024 | Community planning and engagement is in the early stages and work to review the role of the Community Engagement Group for community planning is ongoing but well progressed.<br>Workshops were held in February 2024 on the future design of the leisure service and library and heritage service to inform proposals on how these services could operate at a lower cost in the future. The workshops took a 'customer at the centre' style approach.<br>A guide to mainstream Participatory Budgeting developed by the Community Support Unit has been circulated to all services and a workshop is planned with Council officers in November/December 2024 to consider effective approaches to Participatory Budgeting. | The Council have not yet achieved the Scottish Government target that 1% of a local authority's budget should be allocated via Participatory Budgeting.<br>The Council report performance on Participatory Budgeting and we noted that overall performance dropped during 2024/25.<br>The Council must undertake more work to ensure key stakeholders including partners and individuals are involved in the participatory budgeting exercise.<br>**Recommendation remains valid.**<br>**Revised Target Date:** 31 March 2026 |

# F. Follow up of prior year recommendations (21)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| Complete | **Best Value – Key policy interdependencies**<br>The Transformation Strategy, along with the Workforce and Organisational Development Strategy, the Council Plan and the Best Value action plan are key documents that will support Moray Council's journey to efficiency, effectiveness and closing the savings gap identified in the MTFS. To do this, these documents should be formally linked and recognised as being interdependent. Failure to do this could lead to gaps arising in the forward planning of service delivery.<br>**Recommendation**<br>The council should formally link the expected outcomes of the three key policies that will influence workforce planning and innovation going forward. To reduce the risk of duplication of effort, this should be linked to the Best Value action plan as well. | The Council has linked its key corporate strategies within its corporate plan for many years. The 2024-29 plan has this explicitly stated in the Strategic Delivery Framework section.<br>Corporate priorities are cascaded from the Corporate Plan into the strategic documents such as workforce strategy (WFS) and plan and service plans. The updating of the WFS and Plan is part of routine business scheduled in August 2024 following approval of the Corporate plan in April. | **Management Response:** No specific action required, however, workforce strategy and plan updated in August 2024 as planned and on track for annual report in August 2025<br>**Audit Team Conclusion:** The Council approved the updated Workforce and Organisational Development Strategy in August 2024. There are clear links to the Corporate Plan in the Strategy.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (22)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| In progress | **Best Value – Workforce analysis reporting**<br>Workforce dashboard data is currently manually cleansed and uploaded to the dashboard on a quarterly basis, meaning that there is room for human error in cleansing and that data is potentially out of date on publication. The equality and diversity data included in current workforce reporting is very limited. Workforce data analysis reports are not shared with Member committees, who ultimately have to make decisions on the workforce plan, without understanding the workforce base.<br>**Recommendation**<br>1. The council should consider the cost and benefit of having real time workforce data in dashboards.<br>2. An initiative to collect and collate diversity data across the council should be considered to ensure the council has the best and most appropriate data on the workforce.<br>3. Consideration should be given as to whether workforce analysis reporting should be extended to Member committees.<br>**Original Target Date:** 31 July 2025 | 1. Typically, workforce data is used to identify and review trends over time rather than in real time. However, consideration will be given to how this process can be made more efficient through automation. This will be considered following 12 months of experience of current system.<br>2. Agree<br>3. Agree – this data has been provided to the workforce working group and is scheduled to be reported along with the workforce strategy and plan to Corporate Committee in August 2024 | **Management Response:**<br>1. Review planned to take account of feedback from 12 months of operation of current system. Further developments required within iTrent, i.e. implementation of People Manager needed to support real time reporting. Early work to enable future development is part of HR/Payroll project due to commence in early summer and conclude by end of 2025. **Action:** Revisit use of real time data following exploration of required development work in iTrent (HR/Payroll system).<br>2. Engagement ongoing and promoted on regular basis to raise awareness of the importance of diversity data and ensure employees are provided with information as to how to update their details in an easily accessible way. Reference to providing personal data has been added to induction to help encourage new employees to share their personal data during the onboarding period. Further communications to be included in annual communications plan. **Action**: Completed<br>3. Further to reporting in August 2024, Interim Workforce Report presented to Corporate Committee on 22 April 2025 with Annual Report due along with Workforce Strategy and Plan in August 2025. This frequency will form the regular reporting cycle going forwards. **Action**: Completed<br>**Audit Team Conclusion:** The Council need to review the use of real time data following conclusion of development work within iTrent<br>**Recommendation remains valid.**<br>**Revised Target Date:** 31 December 2025 |

# F. Follow up of prior year recommendations (23)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| Complete | **Best Value – Consistency of priority ratings**<br>The corporate workforce plan and service workforce plans use differing priority ratings, which limits read-through of documents and makes them less comparable.<br>We further note that the priority ratings used in the service plans are not explained meaning they could be inappropriately applied.<br>**Recommendation**<br>The council should use consistent priority ratings across corporate and service workforce plans to allow for comparability. Consideration should be given to adding short explanations as to why a priority rating has been applied. | Narrative of definitions were omitted from the service workforce plan key and will be added. High/Low has also been added to the corporate workforce plan key for clarity. | **Management Response:** Completed<br>**Audit Team Conclusion:** The Council have actioned this recommendation.<br>**Recommendation Closed.** |

# F. Follow up of prior year recommendations (24)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| In progress | **Best Value – Council-wide reporting framework**<br>As the council embarks on measures to transform the way the council works and achieve a significant savings gap, it is imperative that progress is monitored regularly and rigorously at all levels to ensure objectives are met. Without regular and rigorous review of performance measures, the council runs the risk that the desired objectives are not achieved. Identifying and setting objective metric measures will assist in this.<br>**Recommendation**<br>The council should develop a suite of performance measures, council-wide and service specific, that should be reported on regularly with rigorous follow up where objectives are not met.<br>**Original Target Date:** 31 August 2025 | The Council plans to improve performance reporting and has committed to this as part of its best value improvements.<br>Consideration will be given to improving the use of performance data for workforce management and addressing this more robustly in routine performance reporting to support the effective management of the council workforce. The CMT now review performance on a monthly cycle. | **Management Response:** The Council's performance management framework is under review to ensure that the frequency of reporting and appropriate committee for reporting are clear. Service performance reports follow the themes in the Council's Corporate Plan. The Council's committee calendar is being remodelled to ensure that lead in times are consistent. Workforce data relevant to each service is incorporated into their services plans. The Council's public performance report has been remodelled to be more focused around the Council's Corporate Priorities. A programme for PSIF has been reinstated with agreement on the services which will carry out this review process.<br>**Audit Team Conclusion:** The Council have taken steps to update the performance management framework, but this remains a work in progress. The Performance Management framework is due for review in future months, and the Council will be aiming to identify areas for improvement.<br>A process for self-evaluation has been finalised and a report is scheduled to be taken to the ECLT in August 2025 which will outline the planned timeline for the self-evaluation for each service and set the overall programme of work.<br>**Recommendation remains valid.**<br>**Revised Target Date:** 31 March 2026 |

# F. Follow up of prior year recommendations (25)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| Closed | **Best Value – Estates Plan**<br>Hybrid and remote working is now fully embedded at the council. As a result, there is a decrease in the level of office space required which could be put to other uses that would increase savings and/or generate additional revenue or capital income for the council. Progress in this area has been slow, with limited savings and benefits being recognised to date and projected for the future.<br>**Recommendation**<br>The council should advance at pace with an estates plan as part of the Transformation Strategy to ensure that savings and benefits from surplus office space is realised. | The Council does not prepare an Estates Plan – the Asset Management Plans prepared by the Council follow the guidance given by CIPFA and so follows the function of the various parts of the Council's property portfolio: Learning Estate, Leisure and Libraries, corporate offices etc. Within the Council's Transformation Strategy there are projects seeking to rationalise the council property holdings: Learning Estate review, Leisure and Libraries Review, Smarter Working, Depot and Stores Review, Industrial Estate review. | **Management Response:** In line with the earlier response work continues through the transformation strategy to rationalise the asset base and ensure it is fit for future - part of business as usual.<br>**Audit Team Conclusion:** A key element of the MTLFS is to review the Council's asset base. There are multiple projects considering the asset base included in the Transformation Strategy and the focus of the review is to reduce costs by reducing the asset base. The Council have already disposed of offices and depots and there are plans in place to dispose of more assets.<br>The review is focusing on the assets the Council requires for the medium to long term and how they can best be used, with the aim of securing a sustainable long term asset base with an affordable maintenance plan. The learning estate programme will report later in 2025 on the proposals for the longer-term future of schools.<br>A programme of engagement has begun with senior officers and members, and consideration is ongoing on how best to engage with communities in the autumn. Engagement is seen as a key stage in this work, as there are strongly held views on council assets and heighted challenge of managing community expectations.<br>**Recommendation closed.** |

# F. Follow up of prior year recommendations (26)

## Recommendations from the wider scope audit

| Assessment | Issue and risk previously communication | Previous management update on actions taken to address the issue | Update at September 2025 |
|---|---|---|---|
| Complete | **Best Value – Staff survey**<br>The council undertook a staff survey in 2023. Previously the last survey was undertaken in 2019. Best practice indicates that surveys should be done annually.<br>Both 2019 and 2023 surveys had low response rates and the council should take steps to ensure that a greater response rate and therefore a more accurate representation of the workforce is achieved.<br>Questions included in the survey did not appear to vary significantly, with no questions being asked about workforce strategy, digital technology or the result of hybrid working.<br>**Recommendation**<br>The council should look to undertake a staff survey on an annual basis and significantly increase employee participation to allow management to have an accurate representation of the workforce feeling.<br>The council should seek to review the questions included in the survey, keeping some static so progress can be measured year on year, but varying the questions so the opinions on current issues can be measured. | Surveys were kept consistent to enable progress tracking of issues over time and 2 years was used for efficiency and to enable impact to be achieved and measured<br>Specific smaller surveys have been used for specific topics e.g. mental health and wellbeing.<br>Consideration will be given to options for more current workforce information, including frequency of all workforce survey and targeted pulse surveys to be conducted more frequently.<br>The next survey will be brought forward to reduce the gap from 2 years to 18months with potential to move to annual thereafter.. | **Management Response:**<br>Employee survey launched on 10 March 2025, closed 4 April 2025. Proposals for future approach to employee surveys developed for consideration, along with options for targeted pulse surveys, for example, hybrid working (generic questions included in current survey but more targeted information specifically from those who work on a hybrid basis could be gathered).<br>**Audit Team Conclusion:** The Council have completed the staff survey during 2025 and results have been reviewed.<br>**Recommendation closed.** |

# G. Audit fees, ethics and independence

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are require or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Board's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Board's Ethical Standard.

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity, and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no independence matters that we would like to report to you.

As part of our assessment of our independence we note the following matters:

| Matter | Conclusion |
|---|---|
| Relationship with Grant Thornton | We are not aware of any relationships between Grant Thornton and Moray Council that may reasonably be thought to bear on our integrity, independence and objectivity |
| Relationships and investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals |
| Employment of Grant Thornton staff | We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas. |
| Business relationships | We have not identified any business relationships between Grant Thornton and the Group. |
| Contingent fees in relation to non-audit services | No contingent fee arrangements are in place, note that there are no non-audit services provided. |
| Gifts and hospitality | We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff. |

# G. Audit fees, ethics and independence (2)

## Fees and non-audit services

The tables on the following page set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats. None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Moray Council. The table summarises all non-audit services which were identified.

The final audit fee includes additional audit fee of £43,570, which has been agreed with the Chief Finance Officer. The following additional audit procedures were carried out as part of our 2024/25 audit:

- This is the first year the Council accounted for leases in accordance with IFRS 16. Additional audit work was required to gain an understanding of how the Council had accounted for its leases under the new accounting standard and the relevant disclosures within the financial statements.
- There was a change to ISA (UK) 600 – Audit of Group Financial Statements which required auditors to enhance their understand of the group component. This required additional audit work in 2024/25 and additional testing of group balances in respect of non-current assets and cash balances.
- Additional work was carried out due to the higher risk environment at the Council due to a lack of authorisation controls when journals are posted.
- A high number of audit recommendation were raised in the 2023/24 Audit Report in relation to our financial statements audit, the wider scope audit, the Controller of Audit Report and the best value thematic. We followed up each recommendation during 2024/25 and have reported on the progress the Council has made in addressing each recommendation.
- The Council's gross expenditure exceeded £500 million in 2024/25. Our audit methodology required us to recategorize the audit as Category 2, in line with Financial Reporting Council (FRC) requirements. Grant Thornton methodology allows from 2024/25 onwards that audits under £500 million expenditure can have materiality up to 2.5%. The maximum for audits over £500 million is 2%. Therefore, moving category meant additional testing was required, as we were unable to set materiality at the higher threshold. This resulted in the audit team undertaking addition audit procedures. Our financial reporting team also completed a financial review of the financial statements, known as a hot review, which identified several issues relating to the annual accounts.
- Property, Plant and Equipment adjustments. There were several amendments to PPE and within Note 15 where additional work was required.
- Delays and adequacy in responses to valuation queries. Updates were required in some key working papers underpinning valuation assumptions that added further time into the audit process.

The Annual Audit Report was considered by the Council on 24 September 2025 including agreement of audit fees.

# G. Audit fees, ethics and independence (3)

## Fees and non-audit services

### External audit fee

| Service | Planned Fees | Final Fees |
|---|---|---|
| External Auditor Remuneration | £243,790 | £287,360* |
| Pooled Costs | £6,120 | £6,120 |
| Contribution to Performance Audit and Best Value | £58,670 | £58,670 |
| Sectoral cap adjustment | (£3,030) | (£3,030) |
| 2024/25 Initial Fee (informed by Audit Scotland) | £305,550 | £305,550 |
| Trust Fund Charity (not covered in the initial fee) | £7,190 | £7,190 |
| **2024/25 Audit Fee** | **£312,740** | **£356,310** |

* This includes the additional fee of £43,570 with the reasons as already noted set out on page 140.

The fees reconcile to the financial statements (round £'000 in the financial statements):

| | |
|---|---|
| Fees per financial statements | £357,000 |
| Total fees as above | £356,310 |

### Fees for other non-audit services

| **Service** | **Fees £** |
|---|---|
| We confirm that for 2024/25 we did not receive any fees for non-audit services | Nil |

The final audit fee reconciles to the initial Audit Scotland planned fee as follows:

| | |
|---|---|
| Audit Scotland initial fee | £305,550 |
| Trust Fund Charity fee | £7,190 |
| Additional audit fee | £43,570 |
| Final audit fee | £356,310 |

# H. Client Service Review

## Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner, 8 Finsbury Circus, London, EC2M 7EA. If you feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets our details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2024 (grantthornton.co.uk).

# I. Communication of audit matters

| Our communication plan | Audit Plan | Annual Report (ISA 260 Report) |
|---|---|---|
| Respective responsibilities of auditor and management/those charged with governance | ● | |
| Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks | ● | |
| Confirmation of independence and objectivity | ● | ● |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ● | ● |
| Significant matters in relation to going concern | ● | ● |
| Views about the qualitative aspects of Moray Council's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures | ● | ● |
| Significant findings from the audit | ● | ● |
| Significant matters and issues arising during the audit and written representations that have been sought | | ● |
| Significant difficulties encountered during the audit | | ● |
| Significant deficiencies in internal control identified during the audit | | ● |
| Significant matters arising in connection with related parties | | ● |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | ● |
| Non-compliance with laws and regulations | | ● |