Annual Audit Report for Moray Council

Financial year ended 31 March 2024

Prepared for those Charged with Governance and the Controller of Audit

24 October 2024 - FINAL

Contents

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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 Moray 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 Practice 2021). We do not accept any responsibility for any loss occasioned to any third party 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.

Executive Summary (1)

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 2024 for those charged with governance (full Council) and the Controller of Audit.

Financial Statements

Summary

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 2024 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 2023/24 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 on 24 October 2024 for Moray Council.

We issued an unmodified opinion on 25 September 2024 for The Moray Council Connected Charity.

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 2024, with the Council authorising their financial statements on 26 June 2024.

Working papers

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. It look several weeks for the Council to provide us with the correct internal recharge information which delayed issuing a number of audit samples.

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. **A recommendation about reviewing working papers is noted at Appendix 2.**

Executive Summary (2)

Financial Statements (continued)

Fixed Asset Register

The Fixed Asset Register presented for audit did not reconcile to the values included in the financial statements. This presented complications when completing our testing of property, plant and equipment as we had to understand the reasoning for the differences and build this into our testing.

Client response time

The time taken for the return of sample items 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. Whilst we recognise there is a lack of staff resource in some service departments, the Council should ensure all services have an awareness of the audit timeline which will aid response times in future years. **A recommendation about response times is noted at Appendix 2.**

Finance staff capacity

Over the last 12 months, there has been a high turnover of staff in key positions within the finance team and the Council have found it challenging to hire replacements. There remains vacant posts within the finance team and the Council should seek to add additional capacity to ensure future audits can be delivered to target deadlines. **A recommendation around increasing finance team capacity is noted at Appendix 2.**

IFRIC 14

A national issue has been identified in relation to the accounting for pensions. The issue relates to how actuaries have considered secondary contributions in their calculations. As a result, we asked the Council to request updated actuary reports whereby secondary contributions are not considered in perpetuity. We have reviewed the updated actuary report for 2023/24 and confirmed there were no changes required to the annual accounts. The actuary also confirmed there were no changes to the 2022/23 comparative figures as a result of the updated guidance.

Target completion dates

The target completion dates for the 2023/24 audit was 30 September 2024. The target timeline has not been achieved, with this Auditor's Annual Report planned to be presented to full Council on 22 October 2024.

Additional time was required on the audit due to the issues identified above. We also completed additional work in relation to a prior period adjustment made to the 2022/23 pension figures. This resulted in the removal of a pension asset from the prior period as a result of guidance issued following the signing of the 2022/23 accounts. We also carried out additional work relating to correspondence issues received from Audit Scotland that is outside of expected audit, and subject to additional audit fee.

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 1.

The impact upon the primary statements has been material, to decrease the balance sheet net assets by £22.637 million, noting that all adjustments are to unusable reserves. The change meant that the Council went from reporting a comprehensive net income of £6.926 million to a comprehensive net expenditure of £15.711 million.

Executive Summary (3)

Financial Statements (continued)

Amendments to the primary financial statements (continued)

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

- the draft financial statements presented for audit included a prior period adjustment (PPA) to decrease the Council's balance sheet by £7.484 million. This was due to guidance released on accounting for a pension fund asset following the signing of the audited 2022/23 accounts.
- the valuation of Property, Plant and Equipment reduced by £7.830 million from £1.246 billion to £1.238 billion. The largest element was a decrease of £6.640 million in the Council house valuation due to an updated indexation rate applied.
- the draft financial statements presented for audit incorrectly included a £2.988 million IAS19 pension asset and associated reserve when no asset should have been recognised.
- the Council are required to present the unfunded elements of the pension liability separately in the financial statements. The impact of this was a pension liability of £11.819 million being brought onto the Balance Sheet.

All of the above changes impacted unusable reserves only.

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.

We have followed a prior year audit recommendation raised on journal authorisation processes at Appendix 6.

Audit fee

The audit team have been required to carry out significant additional audit work as part of our 2023/24 audit. As part of the financial statements audit work, we needed additional resource to work on the audit due to the issues previously outlined in the Executive Summary, including additional client response time, the quality of working papers presented for audit and the knock-on impact on sample testing.

We also carried out a significant amount of follow up of previous recommendations and identified several new recommendations which added further time than would usually be anticipated.

Furthermore, as part of wider scope audit responsibilities, we were required to do extra work due to the level of follow up required on wider scope recommendations. In addition, the Council has more 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 2023/24, as well as for the additional work required due to the impact of the wider scope work. This has been set at £51,900. The Trust Fund audit is outside of the base audit fee, and this was set at the planning stage at £6,900. Therefore, the increase in audit fees from the base is £58,800. This is further set out in Appendix 8.

Executive Summary (4)

Financial Statements (continued)

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 1 .

We have raised nine recommendations for management from our audit work on the financial statements. These are set out in Appendix 2.

Our follow up of the financial recommendations made in the prior year audit are detailed in Appendix 6. Of the four recommendations made in 2022/23, all are still outstanding and are past their due date.

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.

Executive Summary – Wider Scope and Best Value

Wider Scope

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 2024 we documented our assessment of the wider scope risks and planned audit work. At the planning stage we identified two risks in respect of financial sustainability and vision leadership and governance and a potential significant risk in respect of financial management.

We outline our work undertaken in response to the arrangements in place and the risks identified and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out. This included a review into financial reporting that members receive.

Further details of the work undertaken are outlined on pages 40 to 58. We have raised 6 wider scope recommendations for management. These are set out in Appendix 3.

The follow up of 7 previous year wider scope and thematic review recommendations has concluded that 1 is complete, and 6 are ongoing. The follow up is set out at Appendix 7.

Thematic Review – Workforce Innovation

The key findings from the thematic review are summarised in this report at pages 59 to 61, with the separate thematic report presented to the 22 October 2024 full Council.

An action plan within the thematic review report notes recommendations, with the Council's agreed response to the actions suggested. This has been replicated at Appendix 4. 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 has 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 5.

Introduction

Scope of our audit work

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 2023/24 have been:

- An audit of the Council and Group's annual report and accounts for the financial year ended 31 March 2024 [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 2024.
- 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 2024, and work has commenced in September 2024
- Certification of the NDR return (Non- Domestic Rates). The audit deadline was 10 October 2024, and this is complete.

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.

Responsibilities

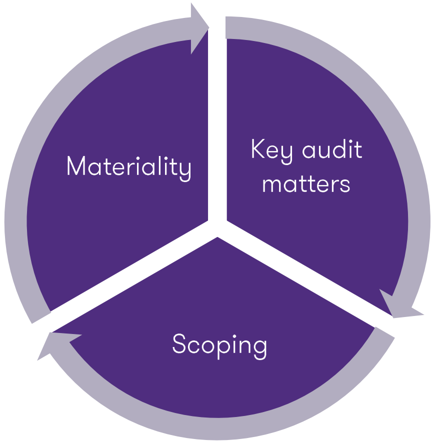
The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and establishing arrangements over governance, 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.

Adding value through our audit work

We aim to add value to the Council throughout our audit work. We do this through using our wider public sector knowledge, we invited the Council to our annual local government accounting workshop. Through our expertise we provide constructive, forward-looking recommendations where we identify areas for improvement and encourage good practice around financial management and 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.

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Overall materiality

Group: £8.583 million, which represents 2% of the group's gross expenditure (Prior Year £6.480 million, 1.5%);

Council: £8.128 million, which represents 1.9% of the Council's gross expenditure (Prior Year £6.462 million, 1.5%).

Key audit matters

Key audit matters were identified as:

- valuation of land and buildings including council dwellings; and
- valuation of the defined benefit pension scheme.

Significant risks

Other than the key audit matters noted above the other significant risks were identified as:

- management override of controls

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 one weakness in the authorisation process for journals, and as a result we had to increase our level of testing in this area. We have followed up a prior year audit recommendation on this issue at Appendix 6.

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 you on 08 May 2024. The risks identified remain the same.

Status of Audit Work

As an audit team we have focused on concluding our work on the key audit matters, the significant audit risks and the significant classes of transactions we have identified in our scoping. These are the areas of the accounts that are, in our view, at greater risk of material misstatements, with a potential to impact our auditor's opinion.

We presented our Annual Audit Report to full Council on 22 October 2024.

We issued an unmodified opinion on Moray Council on 24 October 2024.

We issued an unmodified opinion on The Moray Council Connected Charity financial statements on 25 September 2024.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

Our audit opinion

Auditor's report on the financial statements

Subject to the satisfactory completion of outstanding items, we anticipate issuing an unmodified audit opinion.

As reported in the independent auditor's report, our opinion will cover:

- 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 2024 and of the income and expenditure of the Council and its group for the year then ended;
- the Group and Council's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the CIPFA Code of Practice on Local Authority Accounting 2023/24 ('the 2023/24 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).

Our work relating to the review of Management Commentary and Annual Governance Statement is complete and we have no significant or material matters to report to you in respect of the Management Commentary and the Annual Governance Statement.

Receipt of the draft financial statements

The draft financial statements were presented for audit by the deadline of 30 June 2024, with the Council authorising their financial statements on 26 June 2024. We have been supported by Moray Council's officers during the audit process with effective working relationships and commitment to the audit process. The working papers presented for audit is an area where improvement is required and caused delays during the audit.

Target audit deadlines

The target completion dates for the 2023/24 audit was 30 September 2024. The target timeline has not been achieved, with this Auditor's Annual Report planned to be presented to full Council on 22 October 2024. The Audit Scotland guidance notes outlines that the target dates should not be to the detriment of audit quality or to wellbeing.

Our application of materiality

As communicated in our Audit Plan dated 08 May 2024, we determined over materiality at the planning stage as £7.542 million for the group, based on 2% of gross expenditure and £7.143 million for the Council, based on 1.9% of gross expenditure. At year-end, we have reconsidered planning materiality based on the final group financial statements.

We will report to you all misstatements identified in excess of £406,400, in addition to any matters considered to be qualitatively material.

A lower level of materiality of £25,000 is set for the senior officers' disclosures within the Remuneration Report.

Materiality was determined as follows:

Materiality and performance materiality for financial statements as a whole

	Group	Council
Headline Materiality threshold	Overall materiality has been set at £8.583 million which represents 2% of the group's gross expenditure. Overall materiality is £2.103 million higher than the materiality level set in the prior year audit.	Overall materiality has been set at £8.128 million which represents 1.9% of the Council's gross expenditure. Overall materiality is £1.666 million higher than the materiality level set in the prior year audit.
Performance Materiality threshold	Performance materiality for the year has been set at £6.008 million which represents 70% of financial statement materiality. Performance materiality is £2.120 million higher than the materiality level set in the prior year audit.	Performance materiality for the year has been set at £5.690 million which represents 70% of financial statement materiality. Performance materiality is £1.813 million higher than the materiality level set in the prior year audit.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.
Significant revision(s) of materiality threshold that were made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2024 and adjusted our audit procedures accordingly.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2024 and adjusted our audit procedures accordingly.

An 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 with an analytical approach for other balances. No additional key audit matters were identified in group transactions.

Performance of our audit

- The full scope audit was conducted on Moray 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 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.
- Specific procedures were conducted on material balances of Property. Plant and equipment balances within the common goods and trust funds consolidation, including any material reserves.

Changes in approach from previous period

- There are no additional components in the group compared to 2022/23. This is the second year of our audit appointment, and there are no changes from our approach noted in our Audit Plan from 08 May 2024.

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 2023/24 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, the estimations in respect of the Council's defined pension liability and the transfer of data to the new fixed asset register. 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:
  - Moray 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.

Group audit approach

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit 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	Significant	Scope – planning	Scope – final	Auditor	Status	Comments
Moray Council	Yes			Grant Thornton UK LLP	●	Our findings for the Council are summarised on pages 17 to 38.
Other Trust Funds and Common Goods Funds	No			Grant Thornton UK LLP	●	The audit team performed audit procedures on any material balances.
Connected Charitable Trust Funds, Grampian Valuation Joint Board, Moray Leisure Board and Moray Integration Joint Board	No			Grant Thornton UK LLP (except for Moray Leisure Board)	●	The audit team performed analytical procedures.

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

Overview of audit risks

The table below summarises the key audit matters and significant risks discussed in more detail on the subsequent pages. The status of the work is noted after any amendments identified during the audit process to the financial statements have been actioned by the Council.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work
Valuation of land and buildings including council dwellings	Significant	↔	✗	✓	High	Substantive	●
Defined benefit pension scheme valuation	Significant	↔	✗	✓	High	Substantive	●
Management override of controls	Significant	↔	✓	✗	Low	Substantive	●

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease 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 (1)

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.

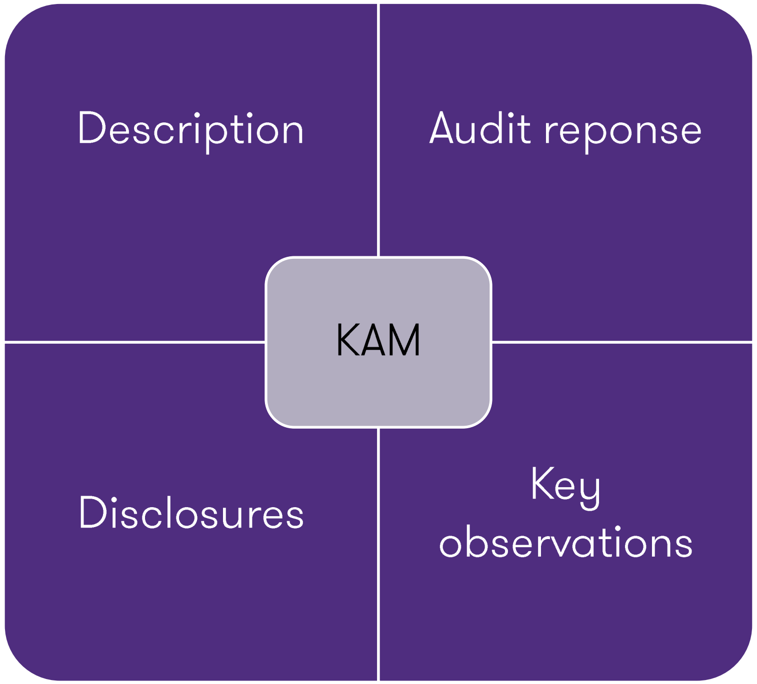
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and 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 included 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 judgment, 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 (6)

Other significant risks identified in our Audit Plan	Commentary
Risk 1: Management override of controls As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. 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. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.	In response to the risk highlighted in the audit plan we carried out the following work: • documented our understanding of and evaluated the design effectiveness of management's key controls over journals; • analysed your full journal listing for the year and used this to determine our criteria for selecting high risk journals; • tested the high-risk journals we have identified; • gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness; • gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates.; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Our results** 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 has required extra testing to mitigate this risk. **We identified this issue in our prior year audit and have followed up the recommendation made relating to the journal authorisation processes at Appendix 6.**

Significant risks and Key Audit Matters (2)

Key Audit Matter identified in our Audit Plan – Group

Risk 2: Valuation of land and buildings including council dwellings

In accordance with the CIPFA/LASAAC Code of Practice, subsequent to initial recognition, Moray Council is required to hold property and property, plant and equipment (PPE) on a valuation basis. The valuation basis used depends 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 current value. Non-specialised land and buildings, such as offices, are held at current value. Council dwellings are determined using the basis of existing use value for social housing.

Moray Council employs 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 Moray Council carries out a desktop review to assess the material accuracy of the assets not revalued. This includes an indexation assessment performed by the valuer. As at 31 March 2024, Moray Council held PPE of £1.261 billion including land, buildings of £498.337 million and council dwellings of £445.991 million.

Given the significant value of the land, and non-specialised buildings and the 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 costs, as a proxy of fair value.

We therefore focussed our audit attention on assets that had large and unusual changes in valuation compared to last year and / or unusual approaches to their valuation, as a significant risk requiring special audit consideration and one of the most significant assessed risks of material misstatement due to error and a key audit matter.

How our scope addressed the matter –

In responding to the key audit matter, we performed the following audit procedures:

- 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;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- 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;
- 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;
- 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
- 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 include a review over the indexation applied to council dwellings

Significant risks and Key Audit Matters (3)

Risk 2: Valuation of land and buildings including council dwellings (continued)	Commentary
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2024 • Note 15 - Property, Plant and Equipment	**Our results** • The financial amendments in the valuation of Property, Plant and Equipment balances reduced by £7.830 million from £1.246 billion to £1.239 billion. • The largest element was a decrease of £6.640 million in the Council house valuation due to an updated indexation rate applied. The indexation rate used in the draft financial statement in relation to Council Dwellings was based on house price data up to February 2024. Following preparation of the unaudited accounts, the March 2024 data became available and led to a different indexation rate being calculated. • The remaining £1.430 million related to adjustments due to reconciliation issues identified in the draft financial statements when compared to the fixed asset register. • In addition to the issues identified and adjusted above, the classification within Note 15 was amended as £16.235 million of assets relating to the NESS Energy Facility were incorrectly included as Other Land and Buildings instead of Vehicles, Plant, Furniture & Equipment. • Note 15 required adjustment as the entries recorded for valuations did not reconcile to the fixed asset register. This included the reversal of depreciation relating to the revaluations exercise being incorrectly written out against the deficit on provision of services rather than the Revaluation Reserve. • The Council also required to do a complete rework of the Revaluations note included within Note 15. • We confirmed the amended Note 15 agreed to the final version of the Fixed Asset Register following all audit amendments being processed. • We reviewed management's assessment that any Other Land and Building assets not revalued during 2023/24 are not materially different from their carrying value and did not raise any issues. • Our sample testing of valuations including a review of assumptions including floor areas did not raise any issues.

Significant risks and Key Audit Matters (3)

Risk 2: Valuation of land and buildings including council dwellings (continued)	Commentary
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2024 • Note 15 - Property, Plant and Equipment	**Our results (continued)** • 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. 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. **A recommendation around the approach to revaluations is noted at Appendix 2** • 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. **We have raised a recommendation that the Council should implement a revaluation reserve working paper at Appendix 2.** • A recommendation was made in the prior year audit outlining that the Council should review the reconciliation processes in place for the compilation of the PPE Note. During our 2023/24 audit, we continued to have issues with this reconciliation which caused delays to our audit, as the accounts did not reconcile to the Fixed Asset Register. 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 6.**

Significant risks and Key Audit Matters (4)

Key Audit Matter identified in our Audit Plan - Council	How our scope addressed the matter
Risk 3: Defined benefit pension scheme valuation The Council participates in the North East Scotland Pension Fund, a local government pension scheme. There is an established protocol in place with Pension Fund auditors to provide external auditors with relevant assurance. 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 Balance Sheet. As at 31 March 2024 in the draft financial statements, the Council had a pension fund asset of £2.988 million and no pension liability. This has subsequently been reduced to a pension asset of £Nil, with a pension liability of £11.819 million. The reason for this is due to an IFRIC14 assessment, and this is set out further on page 23. The Council's actuary, Mercer Limited, 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 asset 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. We identified the defined benefit pension scheme valuation as one of the most significant assessed risks of material misstatement due to error and a key audit matter.	In responding to the key audit matter, we performed the following audit procedures: • 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; • evaluated the assumptions made by Mercer Limited in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland; • evaluated the data used by management's experts in the calculation of the estimates; • performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations; • assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within the Council's financial statements; and • reviewed management's assessment of the application of IFRIC 14 • evaluated the response received from the NESPF auditor in line with the Audit Scotland Protocol for Auditor Assurances for Local Government Pension Schemes

Significant risks and Key Audit Matters (5)

Risk 3: Defined benefit pension scheme valuation (continued)	Commentary
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2024 • Note 43 – Defined Benefit Pension Schemes	**Our results** • 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 £193.933 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. • The Council requested an IFRIC14 assessment from the actuary as part of the calculation of the pension figures in 2023/24. The council made an error in how it interpreted the data provided by the actuary, which resulted in the unaudited version of the financial statements containing a pension asset of £2.988 million and a pension liability of £Nil. • Following auditor challenge, the Council have reviewed the pension figures in the accounts, with the impact being the removal of the pension asset and inclusion of a pension liability which increased from nil to £11.918 million. This was due to a pension scheme being incorrectly netted from the pension asset when it should be shown separately as a liability. This is due to IAS 19 paragraph 131 only permitting offsetting where there is a legal right to use a surplus in one plan to settle obligations in another plan, and this is not the case with the unfunded benefits. All changes made impacted unusable reserves only. • A national issue has been identified in relation to the accounting for pensions. The issue relates to how actuaries have considered secondary contributions in their calculations. Where a participating body makes positive secondary contributions, these are referred to as past service contributions. IFRIC 14 requires that where past service contributions are not available in the form of a refund or reduction in future contributions, an additional liability should be recognised when the obligation arises. This liability could reduce the net defined benefit asset or increase the net liability. On review of the Council's actuary report, it was confirmed that past service contributions had been considered in perpetuity, rather than over an appropriate funding horizon (up to a maximum of 20 years). A revised Actuary report was required for both 2023/24 and 2022/23 and as a result there were no further issues identified that would lead to amendment in the financial statements for the change in the calculation of past service contributions.

Significant risks and Key Audit Matters (7)

Other significant risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent transactions As set out in ISA (UK) 240 (Revised May 2021) 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. (rebutted)	Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Moray Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited. As part of our work on material transactions and balances we have undertaken sample based substantive testing of income streams as well as an assessment of the income recognition accounting policies and relevant disclosures. **Our results** Our work has not identified any issues to raise in relation to revenue recognition.
Risk of fraud in expenditure As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition. (rebutted)	As set out in practice note 10 (Revised 2020) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition. Having considered the risk factors and the nature of the non-payroll expenditure streams at Moray Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted as the Council has sufficient unrestricted reserves to utilise against any overspend and opportunities to manipulate expenditure recognition are deemed to be limited. As part of our work on expenditure we have undertaken sample based substantive testing of transactions before and after the year-end to confirm transactions are recorded in the correct period. We have also reviewed expenditure recognition accounting policies and relevant disclosures. **Our results** Our work has not identified any issues to raise in relation to expenditure recognition.

Other areas impacting the audit (1)

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	Conclusion
Nil net book value assets The Council's asset register includes £22.037 million of assets with a nil net book value that are fully depreciated. The majority of these (£15.736 million) are within plant and machinery.	There are two risks in relation to this issue: • if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; and • if these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its plant and equipment assets. 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 whilst the Council have made some progress in removing assets from the Fixed Asset Register, it should continue to review assets held at £Nil • The Council derecognised 58 assets during 2023/24 which had previously been held on the Fixed Asset Register at £Nil • 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. • We have concluded that work including testing has been undertaken by the Council, and by audit to gain assurance that the assets held are in use and the disclosure not materially misstated. Appendix 1 notes a presentational adjustment to Note 15 as a result of our testing of nil net book assets which has a nil impact upon the primary statements. • We have requested representation on this matter within the letter of representation. • We have provided an update on the prior year recommendation at Appendix 6.

Financial Statements – key judgements and estimates (1)

As required in the Council's Accounting Polices note, 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 judgements in line with the enhanced requirements for auditors.

The estimate for PPE valuation including council dwellings has already been reported on pages 19 to 21, and the estimate for the pension asset on pages 22 to 23.

This section covers other material estimates within the financial statements.

Assessment

● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

● [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

● [Green] 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
Property, Plant and Equipment: depreciation including useful economic lives (UELs). £39.153 million	Note 15 outlines the Council's approach to depreciation. 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). 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. 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: • appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate. **Conclusion** We were satisfied with the methodology for the calculation of the depreciation charge. Note the findings on page 25 regarding the number of nil net book value assets which the Council need to review in future years.	Yellow
Provisions for debt impairment £16.780 million	The Council is responsible for calculating the allowance for impaired debt based upon the latest information about collectability of debt. 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. 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: • appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate. **Conclusion** We were satisfied with the methodology for the calculation of the allowance.	Green

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	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. These are accounted for under IRIC 12 Service Concession Arrangements, as interpreted by the FReM, as "on-balance sheet" by Moray Council. 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. In 2023/24 the Council has taken the option to apply additional flexibility to the accounting treatment of its service concession arrangements in the DBFM scheme. The accounting treatment of the debt profile has been amended to spread the principal repayments over the useful life of the assets instead of the contract life. In applying the additional flexibility for service concession arrangements, the Council generated a saving of £8.332m to the General Fund in 2023/24. This comprised of £7.526m from prior years which has been transferred to a service concession earmarked reserve and a saving of £0.806m in 2023/24.	We reviewed your assessment of the estimate considering: • review of key assumptions input into the accounting models; • use of specialist software to gain assurance that the HUB model has been appropriately updated for the period ended 31 March 2024; • agreeing that accounting entries from the accounting model have been accurately recorded in Moray Council's accounts. **Conclusion** We are satisfied in the calculation and disclosure of the public private partnerships and similar contracts. The financial statements at Note 40 disclose all the required information. We confirmed the council recorded the additional flexibility for the service concession arrangement in line with guidance. This resulted in a statutory adjustment from the Capital Adjustment Account to the General Fund made as at 1 April 2023.	Green

Financial Statements – key judgements and estimates (6)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Annual Leave Accruals £9.285 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. 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: • appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate. Conclusion We were satisfied with the methodology for the calculation of the annual leave accrual.	Green

Other key elements of the financial statements (1)

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice 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 1.
Matters in relation to related parties	The Council discloses its related party transactions at Note 36 of the accounts. We identified that the contribution made to the Integration Joint Board was incorrect and required to be updated from £59.6 million to £84.6 million. The Council also removed the European Union as a related party. 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	You have not made us 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.

Other key elements of the financial statements (2)

Issue	Commentary
Other Information (continued)	The Council originally included 2022/23 performance data in the draft accounts as updated performance data was not available for inclusion. The 2023/24 performance data has now been input into the Management Commentary. We identified that 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. This Council have confirmed they intend to review the content of the Management Commentary prior to the creation of the 2024/25 annual accounts. **A recommendation on the improvements that could be made to the Management Commentary is included at Appendix 2** Other minor amendments have been made to the Annual Report and we are satisfied that there are no material inconsistencies to report.
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). We requested that additional disclosure was added to the Annual Governance Statement to provide an update on the Best Value Action Plan. 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 prior period adjustment, nil net book assets and the impact of unadjusted misstatements.

Other responsibilities under the Code (1)

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. 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. 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: • a material uncertainty related to going concern has not been identified • 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 the Council, receive matches for investigation. Officers review matches with anything requiring further attention referred to Internal Audit. Internal Audit also provide an overview for the completion of the NFI exercise including the closing off final reports. We completed a questionnaire response to Audit Scotland which confirmed the progress the Council had made in reviewing its NFI matches. Our review confirmed that Council's approach had given priority to reviewing high-risk matches and there had been good progress in completing the review. The outcomes from the Council's participation in the National Fraud Initiative for 2022/23 was reported to the Audit and Scrutiny Committee on 08 May 2024 with no significant issues identified and no major frauds or errors recorded.

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 13 September 2024 however this will 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 2023/24 we are required to provide the following certifications: • National Non-Domestic Rates Income Return (NDR) and • Housing Benefit certification We anticipate that our work on the grant claims will be concluded by the 30 November 2024 deadline for Housing benefits, with work starting in October 2024. Our work on NDR was complete by the 10 October 2024 deadline with no issues to report.
Section 106 Charities	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 audit fee for this work is outside of the main fee and is £6,900. Work is complete, and we anticipate issuing an unmodified opinion on 25 September 2024. Expenditure has occurred in all unrestricted funds in 2023/24. We did not require any additional representation in the Letter of Representation for the Charity.

Other findings – other matters (1)

Other matter	Commentary	Conclusion
Prior year adjustment (PPA) – Note 2	The Council has included a £7.484 million PPA for 2022/23 and associated disclosures within Note 2. This decreased the balance sheet and unusable reserves by £7.484 million, all reflected in the 2022/23 year only. The reason for the PPA is that the Council had recognised a £7.484 million pension asset in the 2022/23 accounts. Following signing of the 2022/23 accounts, additional guidance on accounting for pension assets was published and it was recognised that the asset ceiling used in the accounts was incorrect. The asset ceiling should have been £7.484 million higher, resulting in a £Nil pension asset. To ensure the accounts are consistent across financial years, the Council elected to amend for this misstatement. The draft accounts presented for audit included the PPA, however the PPA disclosure note required more narrative to show the impact across all primary statements to improve the understanding for the reader	• Note 2 for the Prior Period Adjustment has been agreed in total detailing the £7.484 million decrease in assets in 2022/23. • Additional disclosure required to be added to the PPA note in order to be compliant with the Code of Audit Practice • International Standards on Auditing 580 requires auditors to obtain specific representation made to restate prior period financial statements and comparative information. We have therefore requested specific representation with the Letter of Representation.

Other findings – other matters (2)

Other matter	Commentary	Conclusion
IFRS 16	As a local government body, and in line with the Code of Audit Practice for Local Authority Accounting in the UK, the Council is required to adopt IFRS 16 Leases. Adoption of IFRS 16 is optional for local government bodies until 2024/25 and the Council did not choose to adopt in 2023/24. Therefore, 2024/25 will be the first year the Council will account for leases in line with IFRS 16. 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. The Council will need to ensure that they understand the full accounting requirements of IFRS 16 and have identified all potential leases which will fall under IFRS 16. 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. A recommendation on accounting for leases under IFRS 16 has been raised at Appendix 2.	• 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.

Other findings – other matters (3)

Other matter	Commentary	Conclusion
Infrastructure Assets	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. 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. **A recommendation on accounting for Infrastructure Assets has been raised at Appendix 2.**	• The Council should review its accounting records for Infrastructure Assets and ensure they are up-to-date and have all required information
Trial Balance	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. The Council should ensure it is presenting a complete Trial Balance for audit and confirm it agrees to the financial statements. **A recommendation on ensuring Trial Balance is complete has been raised at Appendix 2.**	• The Council should ensure it is presenting a complete version of the Trial Balance for audit and that it agrees to the financial statements.

Other findings – Other matters (4)

Other matter	Commentary	Conclusion
Correspondence	It was reported in June 2024 in the press about a case where a Scottish Court had upheld a complaint about the Council from a foster parent where damages were awarded with legal fees incurred by the Council. The damages were £306,000 and the legal costs were £514,000. The case is historic, and any existing team members involved were met by the Chief Social Worker and points of learning have been drawn out. The Council is co-operating with any Scottish Social Services Council investigations, which are underway. Decisions regarding the litigation were taken under delegated powers by the Head of Governance, Strategy and Performance. Legal opinion was sought during the process as part of the decision-making process. Work is currently underway for professional learning and development from the themes identified. The results will be reported to the appropriate committee. As external auditors we were alerted to the issue by the interim Chief Executive. The Council's recent Care Inspectorate external inspection report from August 2023 in relation to fostering rated the Council as 'good' in all four assessed areas. This is an improvement from the June 2022 report on fostering that rated the Council 'adequate in three areas and 'weak' in the fourth area. The Council has a comprehensive action plan for any recommendation areas noted within the Care Inspectorate report.	• The Council paid damages and incurred legal costs in relation to a legal claim lodged against them. • Work is currently underway for professional learning and development from any themes identified. • The Council has improved their scoring to be 'good' across all four assessed areas in their August 2023 Care Inspectorate fostering report. This is a significant positive trajectory in the fourteen months since the prior report.

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.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Advance Business Solutions e5 system – general ledger	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	All significant risk areas
iTrent – payroll	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	N/A
CIPFA's Asset Manager – fixed assets	ITGC assessment (design and implementation effectiveness only)	●*	●	●	●*	Property, Plant and Equipment

* The overall rating has been assessed as amber due to the issues identified during the audit relating to the Fixed Asset Register

Assessment

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

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 significant risks in two areas - Financial Sustainability and Vision, Leadership and Governance. We have also identified a potential significant risk in another area – Financial Management.

As part of our ongoing audit planning audit work during the year we have not identified any additional wider scope audit risks.

Wider Scope Area	Our risk considerations and focus	Risk Identified		Wider Scope Conclusion
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	R	The Council's arrangements in place for projecting the financial position of the Council in the medium to longer term require enhancement to ensure Members are being given information that will allow them to make informed and effective decisions. Recommendations for enhancements to these arrangements have been set out in Appendix 3.
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	Yes	R	The Council has arrangements in place for financial management but there is room for improvement in the arrangements in place for reporting the financial position, savings and budget to Members. Recommendations for enhancements to these arrangements have been set out in Appendix 3.
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	Yes	A	The Council has made improvements in its governance arrangements and arrangements to deliver the vision, strategy and priorities set by the Council, however, there remains work to be done which is being monitored by the Best Value Action Plan.
Use of Resources to Improve Outcomes	How the Council demonstrates economy, efficiency and effectiveness through its use of financial and other resources	No	A	The Council has appropriate arrangements to report outcomes against Council priorities. Some key performance indicators have improved, but there are less indicators in the top two quartiles of performance than the previous year. Recommendations for enhancements to these arrangements have been set out in Appendix 3.

G	Appropriate arrangements are in place, no recommendations made
A	Appropriate arrangements are in place, but could stand to be improved, recommendations made
R	Arrangements in place are not appropriate, recommendations made

Wider scope - financial sustainability (1)

Significant risk identified in audit plan	Response to significant risk	Conclusion on significant risk
Moray Council, like all Scottish local authorities, is facing increasing and unprecedented financial pressures . The council, in the 2024/25 budget have estimated a cumulative funding gap of £31.89 million which has been reduced to £24.06 million over the next three years (2024/25 – 2026/27), after the use of reserves, planned to be up to £10.2 million in 2024/25. This level of reserve drawdown will leave the Council with a smaller useable reserves balance, with careful consideration required of their own reserves policy of £6 million. The use of reserves to fund gaps is finite and adds further pressure to future years. In addition to the use of reserves, the Council will also need to achieve a significant amount of savings. The 2024/25 budget papers set out that some savings have been identified over the three-year term of the MTFS, but when the budget was set £13.28 million had not yet been identified and the budget gap has now reduced to £12.7 million with work underway to identify further savings to bridge this gap. Significant risk identified: There is a risk that where savings and transformation plans are not identified and delivered in the short to medium term this could provide financial sustainability challenges for the council.	Our audit work included: • Reviewing how the council identifies significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans • Reviewing how the council plans to bridge its funding gap and identify achievable savings and future transformation • Reviewing how the council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities • Reviewing how the council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans • Reviewing how the council sets longer term financial plans and capital investment to deliver on priorities and how they determine their affordability	We have concluded that the significant risk of weakness in the wider scope area of financial sustainability remains. The Council's arrangements in place for projecting the financial position of the Council in the medium to longer term indicate that savings will continue to be required. It is highly likely that the Council will not be able to use reserves going forward to balance their financial position as is acknowledged in the Short to Medium Term Financial Strategy and they must identify an alternative to ensure their financial sustainability. We consider that the Council's financial project reporting requires enhancement to ensure Members are being given information that will allow them to make informed and effective decisions. Recommendations for enhancements to these arrangements have been set out in Appendix 3.

Wider scope – financial sustainability (2)

Medium term financial strategy

The Council has a short to medium term financial strategy (MTFS), approved in September 2023 and updated in June 2024 that sets out the plan to achieve budget balance in 2024/25 and 2025/26 and reliance on reserves removed by 2025/26.

The MTFS is a key document for the Council and rightly, includes a high level of detail. However, our review found that there was limited financial information in this paper, limited sensitivity analysis on the key assumptions used, meaning there is insufficient information to be clear how likely management feel each scenario is to occur.

We also noted that the September 2023 MTFS is supported by an appendix (3), described as a 'budget on a page' summary. Although the make up of the summary is described in the report to the Council, the presentation in the Appendix could be improved by including further headings. Additional savings are listed but with insufficient detail to know what they actually are, they are grouped as 'green', 'amber' and 'red', but no description as to what that categorisation means.

The MTFS is regularly reviewed and reported to Members. However, in order to make informed decisions, Members must be given accurate information with sufficient detail to allow effective analysis between options. Our review indicates that this is not always achieved at Moray Council. A recommendation regarding budget and savings reporting has been raised at Appendix 3.

Long term financial strategy

On 25 October 2023 at a special Council meeting, a report was presented on the Medium to Long Term financial strategy. This document reflects the Scottish Government's medium term financial strategy and population estimates. Identifying the principal cost drivers for the Council and applying a good, mid and bad outcome to gauge a range of potential outcomes for the council over the next 10 years. This is a comprehensive document with detailed financial analysis, recognising that while significant use of reserves was planned into the 2023/24 budget, this is not sustainable. The challenge faced by the council is to remove the reliance on reserves and to contain budget pressures from increased demand on services and increasing costs.

Setting assumptions on key cost drivers and income sources and applying an optimistic, mid-range and pessimistic change to them allows an informed view of options and sets out potential future challenges. On the whole, the assumptions are reasonable – although capital borrowing costs based on 80%, 100% or 102% of the capital plan being achieved, on past delivery history are likely to be overstated. 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 first two years of analysis are summarised below.

Wider scope – financial sustainability (3)

All figures £m	Year 1 – 2024/25			Year 2 – 2025/26		
	Opt	Mid	Pess	Opt	Mid	Pess
Additional Costs	8.639	10.975	13.619	6.319	9.560	12.517
Additional Income	(5.325)	(4.925)	(3.611)	(5.343)	(3.054)	(4.124)
Budget Gap	**3.314**	**6.050**	**10.008**	**0.976**	**6.506**	**8.033**

The pessimistic view of the 2024/25 budget above calculates a budget gap of £10.008m. The budget set for 2024/25, presented to Council in February 2024 shows a budget gap of £19.196m, of which £10.225m is savings to be identified. There is no explicit link made between this document and the budget set. The 2024/25 and 2025/26 figures in the MTFS remove the funded from reserves element to give a basis for developing budgets going forward long term.

The report concludes that to ensure a financially sustainable council work must begin on three strands of work to ensure savings are available to support the budget from 2026/27 onwards (when free reserves are estimated to be spent). These are – asset management, place-based approach, service redesign. The analysis and conclusions in the report provide Members with sufficient detail to make informed and effective decisions on future actions. However, we note that this report and analysis does not seem to be referred to in future budget reports, nor has the difference in projected budget gaps between this analysis and the budget been explained in full.

To make informed and effective decisions, Members must be given accurate information with sufficient detail that is clearly linked to other budget information providing them with a single source of information. A recommendation regarding budget and savings reporting has been raised at Appendix 3.

Savings

As part of the 2023/24 budget process, a savings gap was calculated of £25.3m over the three-year MTFS, of which £4.684 had to be delivered in 2023/24.

Update reporting to Members in September 2023 recorded that £5.855m of savings required for 2023/24 had been achieved, with further savings required in further years. There is no clear reported analysis of savings achievement reported to Members in budget monitoring reports during the year. The medium and long-term financial strategies produced by the council all identify the need for savings as budget gaps are identified. We understand that as part of the 2025/26 budget setting process, savings and budget gap analysis has been performed and reviewed at a more in-depth level, recognising the level of savings that are required – over and above what has already been achieved by the Council. Going forward, there has to be clarity in reporting as to the level of savings intended, identified and achieved so there is understanding and recognition of what has gone before and what is being asked for in the future.

Members are provided with regular updates on savings, however, improvements could be made to the reporting at the year end, so it is clear where and how the savings have been realised. A recommendation regarding budget and savings reporting has been raised at Appendix 3.

Wider scope – financial sustainability (4)

Reserves

The Council for a number of years has planned as part of budget setting to draw resources from reserves to balance the budget. While usage of reserves has not always been as intended, the use of reserves to balance budgets is not sustainable in the longer term as they will, in time, be fully utilised. 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	-	-

The table above shows the levels of projected and actual use of general reserves by the Council. There has been a consistent trend of planning to use general reserves to manage a balanced budget over the period set out above. 2023/24 is the first year where the level of planned use of reserves actually meets the level that has been used as permitted financial flexibilities were available to reduce the Council's projected use of reserves in 2021/22. The general reserve used in 2023/24 was the Covid Reserve which came about following late receipts of monies from the Scottish Government in March 2021 where the Council established an ear-marked reserve for Covid-related activity, including funding that was earmarked for specific activities and others that had no constraints on its use. The Council has treated this as a short-life reserve that will be used to fill the budget gap while plans are developed to be able to balance the budget on a sustainable basis going forward - i.e. without the use of reserves. With expected use of reserves in 2024/25 of circa £10m, this will fully utilise the Covid Reserve (now renamed Working Reserve) and therefore an alternative to reserve funding of deficits will require to be identified as set out in the MTFS.

The Council's reserve policy, set in September 2021 and due for refresh and renewal in September 2024, identifies that £5m should be held in free reserves, equating to circa 2% of general revenue expenditure when the policy was set. Budget setting for 2023/24 allocated monies to facilitate the transformation of services, leaving £5m as a balance on general free reserves.

As part of the 2024/25 budget setting, it was identified that £5m no longer represents circa 2% of general revenue expenditure, but instead represented 1.7%. In advance of the reserve policy being refreshed and reset in September 2024, Members approved a £1m transfer from ear-marked reserves to general free reserves as an interim measure until the policy is reviewed.

Wider scope – financial sustainability (5)

As set out earlier in this report, the Council is facing a budget gap in its medium-term financial planning and while use of reserves will balance the 2024/25 budget, this will fully utilise the Working Reserve, if used to the extent currently intended.

The Council must identify alternative means to balance the budget in the coming years – through cutting costs, increasing income or identifying savings as reliance on reserves is unlikely to be an option. This remains a significant risk to the Council's financial sustainability.

Capital and long-term borrowing

As set out in the financial management section, a capital plan was approved by the Council as part of the revenue budget setting process for 2023/24. This set out an ambitious plan of £59.2m capital expenditure, primarily financed by prudential borrowing. This was amended during the year to £42.9m to reflect changing project timescales. The actual outturn on capital expenditure was £30.27m. The table below sets out the original capital budget and financing alongside the outturn for 2023/24.

Capital spending is budgeted on a number of headings, but then reported on different headings. This makes it difficult to understand where spend and slippage have occurred. Similarly, the 10 year capital plan the 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.

	2023/24 budget £m	2023/24 outturn £m
Total budgeted spend	**59.20**	**30.43**
Financed by:		
Grant funding (excluding Moray Growth Deal)	18.10	10.87
Developer obligations	0.10	0.12
Prudential borrowing	40.80	13.67
Capital receipts in year	0.20	0.95
Contributions brought forward	-	4.33
Moray Growth Deal*		0.48
Total Financing	**59.20**	**30.43**

* - note that the Moray Growth Deal budget of £9.53m was not incorporated into the Capital Plan until Quarter 1 monitoring, so has not been reflected above.

The projected use of prudential borrowing for 2023/24 was 69%, whereas the actual use of prudential borrowing was 45% of total capital financing. The 10 year plan approved by Council also has a projected use of prudential borrowing at 69% of capital financing over the 10 year period. There is limited, if any, consideration of the impact the borrowing will have on the revenue budget in the document as consideration of this is incorporated in the revenue budget report, whereas with such a high level of prudential borrowing, sensitivity analysis on interest rates would have been expected when agreeing to borrow such amounts.

Members must be informed of revenue consequences of capital decisions in order to make effective decisions. A recommendation has been raised in Appendix 3.

Wider scope - financial management (1)

Potential significant risk identified in audit plan	Response to potential significant risk	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, as occurs at Moray Council. Currently, these are reported quarterly throughout the year. Financial forecasts must be accurate and regularly updated in order that effective decisions can be made and regular update reports are made to the Council. In 2022/23 Moray Council's budget was set projecting a large deficit with an expected release from reserves totalling nearly £19 million to achieve balance. Ultimately, and following approval of financial flexibilities, the use of reserves was not required, and the Council recorded an underspend against budget of £17 million for 2022/23. The 2023/24 budget also projected a deficit, but balance is to be achieved by a savings plan and the use of reserves, up to a value of £10.2m. We expect details of the savings plan and projected use of reserves to be reported to Members through the financial year. And they are incorporated in quarterly reports. Potential significant risk identified: 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: • Reviewing financial forecasting and reporting arrangements for timeliness and accuracy; • Reviewing and considering the accuracy of financial reporting (revenue and capital) as well as the narrative accompanying financial reports to Members; • Reviewing and monitoring progress against the savings plans identified for 2023/24 and the three years of the MTFS and considering the level of detail that is provided to Members	We have concluded that a significant risk of weakness does exist in the wider scope area of financial management. The Council has arrangements in place for financial management but there is room for improvement in the arrangements in place for reporting the financial position, savings and budget to Members. Recommendations for improvement are set out in Appendix 3.

Wider scope – financial management (2)

Financial management arrangements

The Council has a suite of financial reporting to Members throughout the year. Outturn against budget is reported on a quarterly basis, with a final outturn report being delivered shortly after the 31 March year end. We found that all in-year financial information was reported on a regular and timely basis. Quarter 1 financial reporting was reported to the Corporate Committee in August 2023 and all other quarterly financial reporting was reported to full Council, in December 2023, March 2024 and June 2024 respectively. There is a suitably qualified and experience senior financial officer leading the finance team. We have reported on the level of change in the finance team as part of our financial statements audit reporting earlier in this report.

The Council has a suite of financial management reporting for Members which is regularly reported. Our work has identified that the information provided could stand to be improved in terms of the level of detail provided and ensuring that a single source of information is being provided and followed through to the year-end. Our findings are set out below and recommendations are included in Appendix 3 to this report.

Financial performance – revenue

The Council approved the revenue budget for 2023/24 at a special meeting on 1 March 2023. This approved budgeted net expenditure of £260.84m, with the projected use of £17.85m of ear marked reserves to balance the budget. The final outturn for the year was general services expenditure of £260.299m – which was a £7.691m underspend against the adjusted budget at quarter 3. Ear marked reserves of £14.95m were used, against the £17.85m planned to be used which is an improvement.

Throughout the year, the budget and projected outturn have been reported to Members and updated for known changes. The original budget, set on 1 March 2023, does not report by service, the first view of budgets allocated to services by Members is during the Quarter 1 report. For each quarter, there is a lengthy narrative report followed by appendices. The narrative report can sometimes be lengthy, containing details of many variances which could be difficult to read and understand in amongst a lot of text. Consideration should be given to either using a tabular format with simple descriptions or reducing the level of detail provided.

Details on budget movements are provided in two appendices – three and four – during the year. Appendix four clearly sets 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. Appendix three shows much the same information but is not referenced in the narrative report and is more difficult to follow. Consideration should be given to rationalising the budget information reported to members, assessing what is salient to their decision making process.

Budget and actual spend are shown graphically in Appendices One and Two to the narrative report. These are useful interpretations, but in the focus of having the budget on a page, there is a loss of information that has to found in other parts of reporting, taking away from the budget on a page ideal.

Members receive large amounts of detailed information on budget monitoring on a quarterly basis, some of which is repeated, some which is not referenced elsewhere. An overall review of budget reporting should take place with Member consultation as to what information they consider to be salient to their decision making process and what would aid them in making effective and efficient decisions. A recommendation has been included in Appendix 3.

Wider scope – financial management (3)

Financial performance – capital

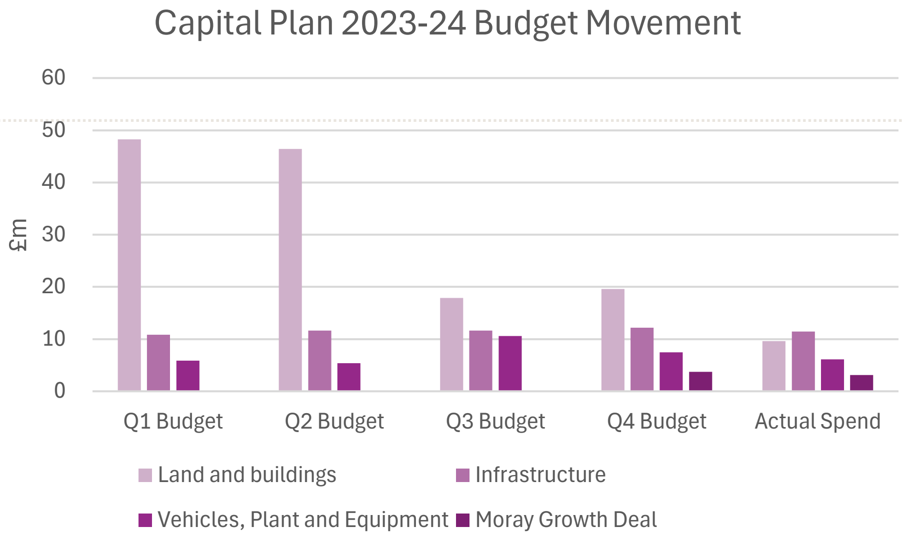
The Council has an approved Capital Strategy, approved in 2023. This is updated annually by setting an annual capital plan as part of the revenue budget process - showing a link between the consequences of capital financing and affordability. The Capital Plan identifies how the expenditure will be funded.

The annual capital plan is ambitious - the plan for 2023/24 was expenditure of £59.2m, the actual outturn was £30.27m. In the prior year, the original capital plan was £51.43m, against an outturn of £28.36m. This was recognised in capital forecasting in 2023/24 when adjustments to the aggregate of the individual estimates provided by budget managers were made at programme level, based on the budget managers' risk rating and this produced a more accurate forecast overall. This methodology continues in 2024/25 onwards.

The 2023/24 capital plan can be broken down as follows:

Area	Q4 Budget £m	Actual Spend £m	Underspend £m
Land and buildings	19.568	9.580	9.978
Infrastructure	12.169	11.437	0.732
Vehicles, plant and equipment	7.472	6.128	1.189
Moray Growth Deal	3.727	3.124	0.603
TOTAL	42.936	30.269	12.502

Further analysis of capital budgeting and spend provides the following chart:



There have been significant movements during the year in the budgeted capital spend on land and buildings. The original budget for 2023/24 was £48.27m, but actual spend was only £9.98m – some 20% of the original budgeted costs. Slippage has been encountered on a number of land and building projects, in part due to issues arising with Reinforced Autoclaved Aerated Concrete (RAAC) previously identified which has delayed planned works in 2023/24. The reduction in the capital spend has reduced the percentage of prudential borrowing required by the Council. Using the original budget, borrowing as a percentage of capital spend was 69%, but the actual was 45%.

Capital planning and its reporting to Members contains both detailed and overly summarised information. As for revenue, an overall review of budget reporting should take place with Member consultation as to what they consider the salient information to their decision making process to be. A recommendation has been raised at Appendix 3.

Wider scope – financial management (4)

Financial performance – savings

As part of the budget set on 1 March 2023 for the 2023/24 year, the Council approved savings would require to be achieved during the year. They were set out by service, as shown below:

Service	Savings Value £'000
Economic growth and development	160
Housing and property services	434
Education, resources and communities	84
Education	1,168
Environmental and commercial services	767
Children's services	54
Financial services	90
Corporate / cross service	395
Temporary savings	775
TOTAL	3,927

Education savings relate to the adjustment of service concession arrangements to recognise these across the life of the asset rather than contract length. This is covered in our financial statements audit section of the report in more detail. Temporary savings primarily consisted of a refund from the Grampian Valuation Joint Board and spare capacity at a landfill site.

Further reporting during the year sets out the level of savings agreed in the budget and totals what has been achieved in the quarter and any further savings that have been identified and achieved in that time period. There are two appendices – one in summary, one in detail. Neither appendix shows the split of savings by service as outlined in the budget, a conscious decision by the Council. Appendix six shows detail of which savings were approved when the budget was set have been achieved, grouped by service and those deferred to 2024/25, but savings identified after the budget was set are not detailed by service. Consideration should be given to reporting on a consistent basis to the budget set. We further note that the appendices attached to the narrative report are not all titled so it is not always clear to the reader what is being viewed and the high level of detail in appendix 6 makes it difficult to understand.

In common with budgetary reporting, there is no reconciliation type report provided to Members at the end of the year setting out the level of savings that were anticipated and the level that were achieved and deferred. Where budget and spend is reported by service, also reporting savings on the same basis would provide a rich baseline of information.

Savings reporting is occurring on a regular basis to Members and is adequate during the year, but there is limited consideration of full year savings achievements. As part of the review of budget reporting consideration should be given to including a reconciliation of savings achieved reporting in the standard year-end financial outturn reporting to ensure a single source of information. A recommendation has been raised at Appendix 3.

Wider scope – vision, leadership and governance (1)

Significant risk identified in audit plan	Response to significant risk	Conclusion on significant risk
Previous Best Value reports and our 2022/23 Annual Audit Report identified challenges in progressing key decisions and creating pace for change which could compromise the council's ability to achieve key priorities. A Controller of Audit report on Moray Council is due to be published on 28 March 2024. Following the council election in May 2022, a corporate plan was not approved by the new administration in a timely manner, with the document presented to members in February 2024. The draft corporate plan was presented in August 2023. Significant risk identified: There is 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: • Reviewing cross party working arrangements and governance arrangements in place to inform effective decision making; and • Reviewing 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. • Reviewing progress against previous best value assurance follow up reports in relation to cross party working arrangements	The Council has adequate arrangements in place to enable vision, leadership and governance. The Council has made improvements in its governance arrangements and arrangements to deliver the vision, strategy and priorities set by the Council. Progress has been reported on the corporate plan and delivery framework in February 2024 with a progress update in August 2024. The Public Performance Report was published in a timely manner. Transformation work was developed and approved in April 2024 with a progress update in August 2024. The Workforce strategy and plan, developed with the Member Workforce Working Group was also approved in August 2024. However, there remains work to be done which is being monitored by the Best Value Action Plan.

Wider scope – vision, leadership and governance (2)

Moray Council Corporate Plan 2024-2029

Following local government elections in May 2022 which saw a change in leadership of the Council, the Corporate Plan was expected to follow soon after. However, it was not approved until February 2024. This was considered as part of our AAR in 2022-23 and highlighted as a significant risk of weakness in wider scope as part of our 2023-24 planning.

In August 2023, a report was presented to Council setting out the high-level priorities for the Corporate Plan 2024-2029 and setting out plans for engagement with the community and council workforce alongside financial planning engagement activity. The need and benefit of community engagement is demonstrated in those papers and is supported by a 'Moray Context' document – setting out considerations from local and national planning reports, successes to date and recognition of the local, national and sometimes unique challenges faced by the Council.

A consultation exercise was completed, and the results were reported to Members. This resulted in the final Corporate Plan 2024-2029 that was approved in February 2024. The Council vision is clearly stated as:

A Moray where people prosper, free from poverty and inequality

- *Our young people grow up safe, well-educated and reach their full potential*
- *People lead healthy lives and have access to quality care when they need it*
- *Our businesses and communities prosper*
- *We leave a better environment for future generations*

The Corporate Plan is closely interlinked with the Transformation Strategy, which was refreshed and approved by Council in April 2024. There are now quarterly monitoring reports presented to Council on the outcomes of the Transformation Strategy, and thus the movement towards the vision set out in the Corporate Plan.

Two new 'spend to save' projects have been identified and reported to Council with a number of other projects and initiatives are now being accelerated to further the Transformation Strategy.

Given the length of time since the Corporate Plan approval and refresh of the Transformation Strategy, it is not possible to conclude on whether the change invoked is meaningful and at pace at this point. However, we commend the reporting and monitoring that is now taking place and encourage action to be taken if and when pace slows.

Cross party working

The Controller of Audit report and our 2022/23 Annual Audit Report highlighted issues in cross party working and the need for the Members to work effectively together to act on key decisions in an efficient and effective manner. An external consultant was procured who has undertaken several facilitated sessions for Officers and Members where lists of agreed improvement actions have been produced and have been collated and condensed. The findings and proposed next steps were reported to the Corporate Committee in August 2024. The private report contains a number of observations which were considered and will now be taken forward with a six-month follow up planned.

Wider scope – vision, leadership and governance (3)

The Strategic Leadership Forum of political leaders continues to meet and work on a cross-party basis. In February 2024, for the first time in ten years, the Council set a cross-party budget. Building on that success, in August 2024, Members and officers attended a budget workshop session in advance of setting the 2025/26 budget. This was successful event, with cross-party attendance and buy-in. The aim of the workshop was to develop a shared understanding of the budget gap and routes to bridging this in line with the savings delivery plan and MTFS.

There has undoubtedly been progress in this area since our 2022/23 Annual Audit Report and our recommendation has merged with that of the Controller of Audit and have been incorporated into the Council's combined Best Value Action Plan.

Audit and Scrutiny Committee

Our 2022/23 Annual Audit Report and the Controller of Audit Report identified confusion between 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 Audit and Scrutiny Committee (ASC) has met with all other Committee chairs and renewed focus on the role and purpose of the ASC.

A self-assessment workshop was held with ASC members on 30 October 2023, facilitated by the Audit and Risk Manager, using the CIPFA self-assessment of compliance with good practice principles checklist and evaluation of effectiveness toolkit. An action plan was produced as a result of the workshop which was presented to the ASC in February 2024 and is now being monitored regularly.

Training on 'Effective Scrutiny' was led by the Head of Governance, Strategy and Performance for ASC members in February 2024. This focussed on asking effective questions and the best way to approach scrutiny as a committee. The training aimed to support Members to apply the guidance approved in the Council's Scrutiny Handbook.

We understand that the Council needed to appoint a new ASC Chair as the incumbent is now the MP for Moray. Temporary arrangements are in place for the Chair role and formal arrangements should be put in place without delay or handover to ensure the good work undertaken during 2023/24 is built upon and not lost. The formal process for the selection of the Chair was concluded at Council in September 2024.

There has been good progress in this area and the Council have recognised that continuous learning and development of Members is required to maintain standards and effective operation of audit and scrutiny functions. Further training on scrutiny is due to take place in September 2024. Progress in this area will continue to be monitored in the Best Value Action Plan.

While we can recognise progress in the areas above, there is insufficient progress at this time to consider that the significant risk has been fully mitigated and given the timescales of reporting and approval of action plans this is to be expected. We consider that a risk remains in the vision, leadership and governance area, albeit reduced from the prior year. No further recommendations have been raised as relevant recommendations are included in the combined Best Value Action Plan which is being monitored regularly by the Council.

Wider scope – vision, leadership and governance (4)

Council Governance

In May 2024, Roddy Burns retired from his role as Chief Executive of the Council. After a brief handover period, John Mundell has been appointed as the Interim Chief Executive until a permanent appointment can be made.

Also in May 2024, the Chief Social Worker left the Council and has been replaced on an interim basis until a permanent appointment can be made.

At the Moray Integrated Joint Board the Chief Officer retired at the end of May 2024, and the role was filled on an interim basis in July 2024 until a permanent appointment can be made. The permanent recruitment process is currently underway with an appointment expected by December 2024.

These are significant roles, all being members of the Senior Management Team of the Council and therefore with a role to play in the Council's governance and leadership which are being filled by interim appointments. 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 three months notice. The process for the appointment of permanent staff should be expedited.

In a further change to Council governance, from June 2024, the Chief Financial Officer (s95 officer) and the Monitoring Officer now attend and are members of the Senior Management Team (SMT).

As with other elements of this wider scope area of vision, leadership and governance, there is progress to be noted in the Council's governance. We understand that the advertisement of permanent posts is imminent, and pace should be maintained to fill these roles as soon as possible. A recommendation has been raised at Appendix 3.

Internal Audit

The council has its own internal audit function. It is led by an Audit and Risk Manager (ARM). The internal audit team has a staffing complement of 3.8 FTE, which equates to circa 800 working days in a year. In addition to providing internal audit services to the council, internal audit services are also provided to the following:

- Moray Integration Joint Board
- Moray Growth Deal
- Grampian Valuation Joint Board
- Moray Levelling up fund

In addition, the ARM has responsibility for business continuity support and risk management at Moray Council.

A special meeting of Moray Council on 28 February 2024 took the decision to reduce the post of the Corporate Investigations Officer from 1.0FTE to 0.5FTE and re-sue the budget to create a lower graded post of 0.6FTE Internal Audit Assistant. This decision was taken as part of wider savings to close the council budget gap. The resources of the internal audit team are slim. Reviews planned in 2023/24 have been re-prioritised with some deferred to future years due to capacity to deliver them. A peer review of the Council's Internal Audit Service during 2023/24 found the service compliant with audit standards, but did make recommendations regarding the capacity of the Audit and Risk Manager.

Wider scope – vision, leadership and governance (5)

As part of the internal audit plan for 2023/24 and 2024/25, the following statement was included:

As your Audit and Risk Manager, and my requirement to be 'objective and free from undue influence', I am highlighting serious concerns about whether the existing resources of the Internal Audit Section are sufficient to meet the Council and partner organisations auditing requirements and to support effective counter fraud and corruption arrangements.

Internal audit play a pivotal role in the defence against fraud and corruption and have a key role in ensuring the maintenance and operation of internal controls for financial transactions. The statement has been reviewed by the Council CMT, but no corresponding change in resources has yet been made. However, the Interim Chief Executive confirmed they will review this further as part of the planned corporate management structure review scheduled for completion in 2025. Failure to adequately resource internal audit to the point that an annual opinion cannot be provided would be a significant weakness in the governance arrangements at the council. The resources and role of internal audit, in and out with the Council should be reviewed and determination made as to the level of assurance Members wish to obtain from their internal audit service. A recommendation has been raised regarding this at Appendix 3.

In-year reporting from internal audit highlights a lack of response from management on some recommendations. In May 2023 an update report details two internal audit reports in the Health and Social Care department had been followed up. Of the original 17 recommendations made (of which 8 were high priority), 11 had not been implemented (of which 5 were high priority).

The update report does not go into detail on these findings and why the recommendations have not been implemented other than to say one is related to staff shortages and the other queries the original timescales for recommendations that had been previously agreed by management. We note that further update reports were subsequently presented to the Committee.

The minutes of the meeting indicate that the report was considered and noted and that there was no discussion. Given the high level of recommendations not actioned and that the majority of them are 'high priority', this is surprising. The ASC should also be holding management to account when internal audit recommendations are not being implemented in a reasonable timeframe – but the minutes do not suggest that there was any discourse on why the recommendations had not been implemented.

We recognise that internal audit have recently refreshed their reporting format to make it more reader friendly and contain only salient information. This is a recent change and further updates are expected so we have not assessed the impact of the new style of reporting. We will consider this as part of our 2024/25 Wider Scope work.

Internal audit play a pivotal role in ensuring the Council has appropriate financial controls and preventing fraud and corruption. This can only be done successfully when the internal audit function is appropriately resourced. Failure to do properly resource internal audit will pose a significant risk of governance and internal control failure in the future. A recommendation has been raised in Appendix 3.

Wider scope – effective use of resources (1)

Council Performance

The Corporate Plan has four strategic priorities including; our people, our place, our future and sustainability. Underpinning these strategic priorities are several corporate priorities with key performance Indicators (KPIs) and measures to measure and monitor performance. The Annual Performance report was presented to full Council in June 2024 and is discussed further in this report on page 61. The Council has a performance reporting section on their website, split into community performance, corporate performance and service performance pages.

Timely and regular reporting of the Corporate Plan performance as well as service reporting occurs. This includes detailed information and explanations of outliers with the reasons. Corporate Plan progress is regularly reported during the year, with Corporate Plan actions and indicators as separate reports. A review of the quarter 4 2023/24 Corporate Plan actions note all rated green in terms of progress expected at the date of reporting. The Corporate Plan indicators for quarter 4 2023/24 set out trend data. Against the 'Our People' priority it is noted that the rate of looked after children registrations per 1,000 population (0-15 years) has increased from 1.4% to 4.5%.

A review of the Annual Performance Report against the 'Our People' priority notes some improved performance, for example school leaver attainment data for 2022/23 published in March 2024 above the national benchmark in both literacy and numeracy at SCQF Level 4 and 5 for the second year. The 'Our Place' priority notes there is still underperformance noted against the percentage of participatory budgeting (PB) expenditure achieved. The Scottish Government have set a target of 1% of a local authority's budget to be allocated by PB. Moray Council have set a target to achieve 100% of the SG target, however in 2023/24 the Council only achieved 23%. Note this is an improved position from 2022/23 where 13.42% was achieved. The percentage achieved is an increase from the two previous years however continues to be significantly under target. By developing wider approaches to PB to give community influence across corporate financial planning, this will increase the budget value where PB principles have been used to influence future direction.

Service performance reporting of key indicators is reported quarterly through sub committees. The reporting is timely, with quarter 4 2023/24 results reported to all sub committees by June 2024.

We raised a recommendation in our 2022/23 Annual Audit Report regarding the level of PB. Although the value has increased, the recommendation still stands to ensure that monitoring and reporting of PB is in place to aim to meet the Council's 1% target. A further recommendation has not been raised, but the action marked as ongoing in Appendix 5.

Corporate Plan and service performance reporting is completed on a timely basis and is appropriate. Participatory budgeting levels have increased but are still not at the level of the Council's target and further work requires to be done.

Wider scope – effective use of resources (2)

National Benchmarking Data

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 2022/23, was published in March 2024.

The Council considered the outputs of the LGBF in a timely manner, to Corporate Committee and Audit and Scrutiny Committee in June 2024. The information presented included the report for the 2022/23 data as well as the 2021/22 data to allow further trend comparisons over time.

Our 2022/23 Annual Audit Report noted that the Council had not reported corporately the 2021/22 data at the time of our report in October 2023. Due to other priority areas, the timing of the reporting of 2021/22 was delayed to the extent that both reports were presented in June 2024. The 2023/24 performance reporting represents an improvement for the Council and is commended.

The LGBF output report for 2022/23 noted that in relation to applicable indicators the Council Improved their position in 2022/23 when compared to 2021/22 for 41 indicators, 49 worsened and 2 were unchanged. Performance reporting remained mostly static, with similar numbers of improved and reduced performance across the full range of indicators.

In terms of relative performance compared to other councils, there was an improvement in the percentage of indicators in the top (1^{st}) quartile, with 21% in 2022/23 compared to 18% in 2021/22. This is offset though with a reduced performance in the second quartile, with 22% in 2022/23 compared to 34% in 2021/22. Overall, the Council's combined performance in the first two quartiles is reduced when compared to 2021/22 as it has less indicators in the first two quartiles in 2022/23 with 43%, when compared to 2021/22 at 49%.

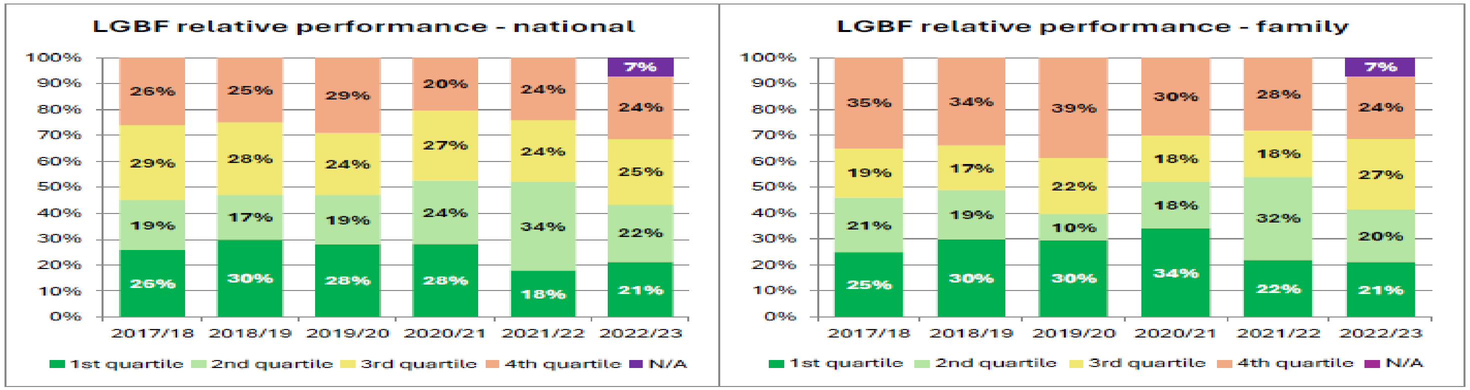
The Council provides in the report an understanding of any benchmarking in the lowest quartile (4^{th}), with the indicator number, the challenges, the actions to improve and expected outcomes noted. This allows scrutiny and assessment of each indicator. The report also includes the detail of each performance 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.

Wider scope – effective use of resources (3)

Further detail from Moray's LGBF Report for 2022/23 reported in June 2024 is set out in the table below, but the report notes caution in making direct comparisons over time due to the significant impact of Covid-19 on more recent results. In addition, some indicators were not yet published which impacts the quartile calculations.

Source: Moray Council LGPF Report 2022/23

Relative performance: Percentage of indicator rankings by quartiles –

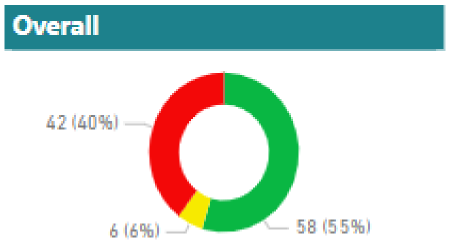


Wider scope – effective use of resources (4)

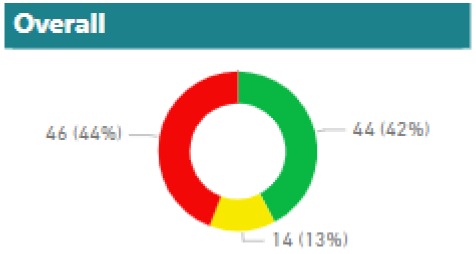
The data for LGBF is live and is available for any member of the public to review for their council area. Appreciating the LGBF reporting was carried out in June 2024, a summary at September 2024 was obtained from LGBF to note any further trends since the June 2024. Overall, since the base year of collection, the Council has improved indicators for 55%. Taking the change from the prior year alone the improved indicators are 42%.

Source: LGBF website 2022/23 - September 2024

Change in indicators since base year collection



Change in indicators since prior year (2022/23)



The Council's progress in improving indicators since the prior year has slowed compared to the base year, but performance is still improving.

Best Value (1)

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 – workforce innovation

In 2023/24, the Accounts Commission has directed auditors to report on how councils are responding to local government and workforce challenges through building capacity, increasing productivity and innovation. Our report, setting out our findings and improvement recommendations was presented to Members in September 2024. Our conclusions, based on a series of questions posed by the Accounts Commission are set out below.

How effectively are the council's workforce plans integrated with its strategic plans and priorities?

We concluded that the council's workforce plans are integrated with its strategic plans and priorities. Work is underway to align key documents that will ensure full integration of workforce plans with the councils' strategic priorities following the update of the Corporate Plan in April 2024.

How effectively has digital technology been used to support workforce productivity and improve service quality and outcomes?

The council has embraced remote and hybrid working and has taken steps to gain financial benefit from unused office space albeit financial savings to date have been relatively minor. There are limited metrics set and measured by the Council to demonstrate where technology has improved productivity, service quality and outcomes.

How effectively is the council using hybrid and remote working and other innovative working practices such as a four-day week to achieve service and staff benefits?

The council has embraced remote and hybrid working, however, there are limited metrics reported to record and observe how effective and beneficial these practices have been.

What innovative practice is the council using to develop its future workforce capacity and skills needs and manage staff reductions in line with its priorities?

The council has a small number of shared working arrangements. It is clear that there may be further opportunities to be explored, but only if there is a measurable benefit to the Council.

Best Value (2)

How effectively is the council measuring the impact of its workforce planning approach?

The council does not have defined metrics that would enable it to easily measure, record and report the impact of its workforce planning approach. Reporting of workforce planning achievements would benefit from the implementation of reporting metrics.

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

- Key policy interdependencies
- Workforce analysis reporting
- Consistency of priority ratings
- Council-wide reporting framework
- Estates plan
- Staff survey

These recommendations have been replicated at Appendix 3. As the report was issued in September 2024, we have not included a follow-up on progress of agreed actions in this report and will conclude on the follow up as part of our 2024/25 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 as one of the 2023/24 reports. The Controller of Audit report for Moray Council was published on 28 March 2024.

We have worked with the Controller of Audit and the Accounts Commission in their evidence gathering at the Council assessing Best Value arrangements. The report was published and considered by the Accounts Commission in March 2024. Recommendations were made in a number of areas – timely performance reporting, pace of transformation and savings identification, capital plan slippage and revenue implications of such, participatory budgeting and role of Members.

Nine recommendations were made, one is partially completed as at September 2024 and the rest of the actions proposed are ongoing, but we are assured of progress being made by the Council on the remaining recommendations. The report also emphasised the importance of the Council maintaining a combined Best Value action plan.

The Council has subsequently established a combined Best Value action plan, 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. It is too early to assess the impact of actions in response to the Controller of Audit report as time will be required to embed any changes. However, we note that the Council agreed all recommendations and timescale for delivery within the Best Value Action Plan, meaning that direction is clearly set out and aspiration clear.

We have included an update on the recommendations made in the Controller of Audit Report in Appendix 5.

Best Value (3)

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: "its performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes its own 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.

The Council has a Performance Management Framework (PMF) with the aim to seek continuous improvement. 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.

The 2023/24 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

In our 2022/23 Annual Audit Report we were unable to evaluate the effectiveness and appropriateness of the arrangements in place at the Council to assess the appropriateness of the information provided to members in responding to the new Direction, as the 2022/23 Annual Performance Report had yet to be published at the time of our AAR in October 2023.

The Annual Performance Report for 2023/24 has been published on time, and presented to full Council in June 2024, and is available for the public on the Council's website. This sets out the progress and performance of Council services against the Corporate Plan 2019-24 priorities.

The format of the Annual Performance Report is summarised, does not include any KPI detail or trend data. We note that the Council does publish performance data, including KPI's trends and more detailed reporting relating to the corporate and service plans throughout the year on the website. We have raised a recommendation to include relevant KPIs with trend data within the Annual Performance Report.

The Annual Performance Report was published in a timely manner for 2023/24, an improved position from the previous year, but improvements can be made to the format of the Annual Performance Report to include further KPI and trend data. An action plan recommendation has been raised at Appendix 3.

Appendices

1. Audit Adjustments (1)

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 2024.

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

Detail	CIES £'000	Balance sheet £' 000
DR Pension reserve		14,807
CR Pension asset		(2,988)
CR Pension liability		(11,819)
DR Remeasurement of net defined liability	14,807	
CR MIRS	(14,807)	
This is the correction to the pension figures in the accounts in order to remove a pension asset and include the pension liability in relation to the unfunded element of the LGPS and teacher's pension. The impact of both of adjustments above is the reduction in the pension asset of £2.988 million and an increase in the pension liability of £11.819 million.		

1. Audit Adjustments (2)

Impact of adjusted misstatements (continued)

Detail	CIES £'000	Balance sheet £' 000
DR Revaluation Reserve		7,622
CR Property, Plant and Equipment		(7,622)
DR Revaluation of PPE	7,622	
CR MIRS	(7,622)	
This is the impact of movements in PPE due to revaluation issues noted during the audit. The main part of this is the overstatement in council house indexation of £6.940 million with other PPE adjustments of £0.682 resulting in a reduction of £7.622 million in PPE. The impact is through the CIES but mitigated through the MIRS.		
DR Disposals – Loss on Disposal of NCA	3,167	
CR Property, Plant and Equipment		(3,167)
This is the removal of a duplicate asset included in the Fixed Asset Register. The impact is to reduce the PPE value in the accounts, with the removal being taken through CIES as a loss on disposal		

1. Audit Adjustments (3)

Impact of adjusted misstatements (continued)

Detail	CIES £'000	Balance sheet £' 000
DR Depreciation written out to the Revaluation Reserve	2,781	
CR Revaluation Reserve		(2,781)
This is the correction made to ensure the depreciation written out to the Revaluation Reserve for Council Dwellings was correctly reflected in the PPE Note. The impact is to reduce the PPE value in the accounts.		
Overall impact to usable reserves	**Nil – all reversed in the MIRS**	**Nil – all impact is in unusable reserves**

1. Audit Adjustments (4)

Impact of unadjusted misstatements

The table below provides details of all non-trivial errors which we identified during the course of our 2023/24 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	Comprehensive Income and Expenditure Statement £'000	Balance sheet £' 000
DR Revaluation Reserve		2,089
CR Property, Plant and Equipment		(2,089)
Being the incorrect professional fees percentage used in the revaluation of two assets		
DR Unusable Reserves		569
CR Capital Financing Requirement		(569)
This is the difference between the Capital Financing Requirement included in the accounts and the total Capital Financing Requirement figure which should have been disclosed.		
Overall impact	**0**	**0**

1. Audit Adjustments (5)

Impact of unadjusted misstatements in the prior year

There were no unadjusted misstatements in the 2022/23 financial statements which impacted our 2023/24 audit.

1. Audit Adjustments (6)

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 is not a complete list, as this does not include minor changes requested by the audit team, including typos and formatting requests.

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	Comments	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, they are expected and do not warrant detailed explanation. Several references to amounts being "restated" were incorrectly included in the draft accounts. This has been corrected in the updated version of the accounts.	Yes
Management Commentary	The Council originally included 2022/23 performance data in the draft accounts as updated performance data was not available for inclusion. The 2023/24 performance data was then input into the Management Commentary once available.	Yes
Annual Governance Statement	Additional disclosure was added to the Governance Statement to provide detail on the Best Value Assurance Review and to include details of the actions being taken by the Council to address recommendations raised.	Yes
Remuneration Report	The Remuneration Report presented for audit had removed several individuals included in the prior year comparatives and instead a footnote was added outlining that prior year figures had been restated to remove the Councillors who left prior to 2023/24. This was incorrect and the remuneration tables needed to be reinstated to show the audited 22/23 disclosures included in the accounts as the 2022/23 comparatives. Trade union information was not available to include in the draft accounts and was input into the final version of the accounts once received.	Yes

1. Audit Adjustments (7)

Disclosure	Comments	Adjusted?
Comprehensive income and expenditure account (CIES)	The CIES in the draft accounts included the word “restated” for the prior year income and expenditure comparatives however no information had been restated. The Council removed the reference. The Council updated the remeasurement of the net defined benefit liability from £68.117 million to £60.633 million to reflect the prior period adjustment to remove the pension asset.	Yes
Note 2 – Prior Period Adjustment	Improvements were made to the PPA disclosure note for the reader to understand the primary statement changes. The Council added a third balance sheet to Note 2 detailing the opening balances and the restatements made to the prior year comparatives. The changes related to the removal of the prior period pension asset for the Council and for the associated - Grampian Valuation Joint Board. The overall impact was the Net Asset decreased by £7.484 million for the single entity and £9.247 million for the Group. Additional disclosure was added for the financial Instruments comparative figures amended during 2023/24. The adjustments were for disclosure only and had no impact on the core statements.	Yes
Note 6 – Estimation Uncertainty	Disclosure changes were made within this note, including the inclusion of the pension liability uncertainty and removal of the pension asset uncertainty.	Yes
Note 7 – Events after the Reporting Period	This note was updated as expected to bring it up to date to the signing of the financial statements	Yes

1. Audit Adjustments (8)

Disclosure	Comments	Adjusted?
Note 9 - Expenditure and Income Analysed by Segment and Nature	Disclosure added to explain that budget of £4.6 million was transferred between Education and Education Resource & Communities for out of area placements.	Yes
Note 15 – Property, Plant and Equipment	The PPE note required a complete re-work as the numbers included in the draft accounts did not reconcile to the Fixed Asset Register. The following changes were made to the note: • There was a misclassification error of £16.234 million relating to the NESS Energy asset. It was originally classified as Land & Building whereas it should be vehicles, plant and equipment. • There was a duplicate asset included in the FAR. This has now been removed and resulted in PPE decreasing by £3.167 million • Updates were processed due to the overstatement in council house indexation of £6.940 million with other PPE adjustments of £0.682 million resulting in a reduction of £7.622 million in PPE. • The depreciation written out to the Revaluation Reserve for Council Dwellings was incorrectly reflected in the PPE Note. This was updated in the accounts and the impact was to reduce PPE by £2.781 million.	Yes
	In the 2022/23 comparative table, the Net Book Value of PPE assets was not included at the end of the table. The table was updated to show the closing 2022/23 Net Book Values	Yes
	The revaluations table included in the PPE note needed to be updated as it did not accurately reflect the five-year revaluation cycle.	Yes
	An extrapolated classification misstatement to gross cost and gross depreciation was calculated as one of the items in our sample was not held by the Council. The extrapolation indicated that gross cost and gross depreciation within Note 15 could be overstated by £1.55 million. This has not been adjusted as it is not material, and is based upon extrapolated calculations. This is a classification issue only and does not impact the primary statements.	No

1. Audit Adjustments (9)

Disclosure	Comments	Adjusted?
Note 19 – Financial instruments	Several changes were required to the Financial Instruments disclosure note as follows: <u>Financial Instruments – Balances table:</u> • Creditors - Short Term: The amount change from £52.939 million to £41.470 million • Debtors - Short Term: The amount change from £16.963 million to £14.278 million <u>Financial Liabilities table:</u> • Short Term Creditors: The amount change from £43.654 million to £41.470 million • Other Long-Term liabilities – fair value: The amount changed from £4.511 million to £0.276 million • Long Term Borrowings – LOBOs - Carrying value - The amount changed from £34.103 million to £33.884 million • Long Term Borrowings – LOBOs - Fair Value: The amount change from £34.103 million to £36.588 million • Long Term Borrowings - Carrying value: The amount changed from £120.392 million to £120.611 million • Long Term Borrowings - Fair Value: The amount changed from £179.884 million to £143.296 million <u>Fair Value Disclosure of PWLB Loans:</u> • The fair value of PWLB loans changed from £179.884 million to £151.121 million • The fair value of total long term borrowings £213.987 million to £179.884 million • The exit price for the PWLB loans changed from £235.160 million to £201.057 million Due to the nature of the above changes, they also had to be reflected in the prior period comparatives. The Council have added a disclosure within the financial instruments note detailing the nature of the changes made in any prior year comparatives.	Yes

1. Audit Adjustments (10)

Disclosure	Comments	Adjusted?
Note 21 – Short-Term Debtors	An additional line was added into the short-term debtor's disclosure outlining the money the Council is owed from Central Government bodies.	Yes
Note 25 – Short-Term Creditors	The prior year comparative figures were incorrectly updated by £0.656 million. This was due to grants received in advance that should have been recognised in creditors. The total had been reflected in the ledger but was not included in the 2022/23 accounts.	Yes
Note 28 – Unusable Reserves	Various additional disclosures relating to restated balances were removed as they been captured in the PPA note	
Note 34 – External audit fees	The audit fee disclosure was updated to reflect the final audit fee for the audit of £358,720	Yes
Note 37 – Related Party Transactions	The related party transaction note was amended to update the Contribution to Moray Integration Joint Board figure from £59.576 million to £84.615 million. The Council also removed the European Union as a related party and have added in additional disclosures around the Council's participation in partnerships.	Yes
Note 37 – Capital Financing Requirement	We identified that several changes were required to the Capital Financing Requirement note in the accounts. The following changes were processed: • Government grants and other contributions changed from £18.556 million to £13.077 million • Capital receipt reserves of £5.015 million was added in as Sources of Finance. • Loan Fund Principal amount changed from £12.630 million to £14.242 million • Service Concession Arrangements of £8.332 million was added as a sum set aside from revenue	Yes

1. Audit Adjustments (11)

Disclosure	Comments	Adjusted?
Note 43 – Defined Benefit Pension Schemes	The adjustments noted on page 23 highlight that the Pension Asset reduced to £Nil due to the IFRIC14 asset capping and the amendment of the unfunded pensions as a pension liability, therefore the disclosure note was amended to incorporate these changes.	Yes
Housing Revenue Account	The draft accounts showed the prior year comparative figure for the Revaluation losses on Non-Current Assets £4.877 million. This was the unaudited 2022/23 figure. The accounts have been updated to show the correct prior year comparative figure of £3.861 million.	Yes
Trust Funds	Minor disclosure changes were required in the Notes to the Trust Fund accounts, including the revaluation amount to be updated from £0.055 million and 2023/24 additional to be updated to £Nil	Yes

2. Action plan and recommendations – Financial statements audit (1)

We have identified nine recommendations for Moray Council and the group during our audit of the financial statements for the year ended 31 March 2024. We have agreed our recommendations with management and will report on progress on these recommendations during our 2024/25 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 reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Working Papers 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.	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 . Management response: Working papers will be reviewed as recommended Responsible Officer: Chief Finance Officer and Senior Accountant Implementation Date: 31 March 2025
Medium	Finance Team Capacity 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.	The Council should ensure the finance team has a sufficient level of staff to cope with the demands of audit. Management response: The ability to fill vacant posts is dependent on market factors and not within the Council's control. The Council will endeavour to ensure all accountancy posts are filled. Responsible Officer: Chief Finance Officer Implementation Date: 31 March 2025

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

2. Action plan and recommendations – Financial statements audit (2)

Assessment	Issue and risk	Recommendations
Medium	**Client response time** 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.	The finance team should ensure that it responds to audit requests in a timely manner. It should also look to engage with relevant service areas prior to the final accounts audit work starting to ensure services are aware of their responsibilities to respond to audit queries. Management response: Timeliness improved when the audit team indicated their expected timescales. We will request timescales from the audit manager and ensure requests are dealt with within those timescales with any unavoidable exceptions notified. We will engage with staff in other services, but they will also be working to other deadlines which may be equally pressing. Responsible Officer: Chief Finance Officer and Senior Accountant Implementation Date: 30 September 2025
Medium	**Management Commentary disclosures** 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.	The Council should review the Management Commentary disclosure and consider the use of infographics to make the document more user friendly. Management response: Previous auditors were unenthusiastic about the use of infographics. We are happy to review again. Responsible Officer: Senior Accountant Implementation Date: 31 May 2025

2. Action plan and recommendations – Financial statements audit (3)

Assessment	Issue and risk	Recommendations
High	IFRS 16 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. 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.	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. Management response: This is part of the Financial Services Service Plan for 2024/25 Responsible Officer: Chief Finance Officer Implementation Date: 31 March 2025
High	Accounting for Infrastructure Assets 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. 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.	The Council should review its accounting records for Infrastructure Assets and ensure they are up-to-date and have all required information. Management response: We will review our accounting records for Infrastructure Assets Responsible Officer: Chief Finance Officer and Senior Accountant Implementation Date: 30 June 2025

2. Action plan and recommendations – Financial statements audit (4)

Assessment	Issue and risk	Recommendations
High	Trial Balance 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.	The Council should ensure it is presenting a complete version of the Trial Balance for audit and that it agrees to the financial statements. Management response: We will continue to improve on the mapping of the trial balance to the accounts. Where applicable mapping of specific working papers (i.e. payroll costs) will also be carried out. Responsible Officer: Senior Accountant Implementation Date: 30 May 2025
Medium	Revaluation Reserve Working Paper 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.	The Council should prepare a working paper which details the revaluation reserve movements during the year. Management response: This will be done as part of the review of working papers Responsible Officer: Senior Accountant Implementation Date: 30 May 2025
High	Asset Valuer 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.	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. Management response: Agreed Responsible Officer: Chief Finance Officer and Senior Accountant Implementation Date: 30 November 2024

3. Action plan and recommendations – wider scope and best value 2023/24 (1)

Issue / Risk	Recommendation	Agreed management response
Financial management – budget and savings reporting 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. 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.	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 will review the content and presentation of its revenue and capital monitoring statements and consult with members on proposed amendments. As a precursor to this Dundee City and Falkirk's budget monitoring reports have been reviewed as recommended by the auditor, but limited amendments have been identified as a result, with the content and format of Falkirk's report in particular being very close to Moray's. Action owner: CFO Timescale for implementation: 30 June 2025
Financial sustainability – use of reserves 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. There is a risk that without replenishment of free reserves or substantial savings being identified, the Council will not be financially sustainable.	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 Council's Savings Delivery Plan, approved by Council on 25 September 2024, addresses this issue which will also be reflected in the revised Medium to Long Term Financial Strategy. Action owner: CFO Timescale for implementation: 31 December 2024

3. Action plan and recommendations – wider scope and best value 2023/24 (2)

Issue / Risk	Recommendation	Agreed management response
Financial sustainability – budget and savings reporting 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. 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. 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.	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. A financial reporting standard should be established, ensuring that figures and assumptions used are carried forward and reconciled where there are changes.	The Council will review the content and presentation of its revenue and capital monitoring statements and consult with members on proposed amendments. The Council has a project plan for reviewing capital monitoring to members and budget managers and the first outcome of this will be that the Q2 capital monitoring report will follow the categories of spend used when the budget was set. Action owner: CFO Timescale for implementation: 30 June 2025

3. Action plan and recommendations – wider scope and best value 2023/24 (3)

Issue / Risk	Recommendation	Agreed management response
Vision, leadership and governance – Internal Audit 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. There is risk that the internal audit plan will not be completed and that the Audit and Risk Manager is stretched too thinly. 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	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. Action owner: HoGSP / ICE Timescale for implementation: 28 February 2025

3. Action plan and recommendations – wider scope and best value 2023/24 (4)

Issue / Risk	Recommendation	Agreed management response
Vision, leadership and governance – interim appointments 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. 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.	The process for the appointment of permanent staff should be expedited wherever possible.	The recruitment of the Chief Officer for the MIJB has commenced and is due to be concluded before December. The recruitment of the Chief Social Work Officer will commence following the completion of the Chief Officer process, The Council approved a report on senior recruitment on the 25 September which outlined the timetable for the recruitment and selection process for the permanent Chief Executive which is also expected to be concluded by December 2024. Provision of a 3 month allowance will be required as a period of notice for the successful candidates in each case following the acceptance of offer of appointment. Action owner: ICE Timescale for implementation: April 2025
Best Value – performance reporting 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.	The Council should seek to revisit and refresh their annual performance reporting to include key performance indicators and trend data.	The Council Annual Public Performance Report (PPR) is a summary of the more detailed quarterly reporting, trend information and performance indicators that is also published on the council performance webpage next to the PPR. The PPR is presented in a format that is intended to be informative and appealing to the reader while the more detailed information is clear and readily accessible beside it. However, KPIs and trends can be added for further clarity. Action owner: HoHR, ICT & OD / HoGSP Timescale for implementation: 30 June 2025

4. Action plan and recommendations – best value thematic 2023/24 (1)

Recommendations raised in the 2023/24 Best Value thematic review

We have set out below, based on audit work performed in 2023/24, the key recommendation 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
Best Value – Key policy interdependencies 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.	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. 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 was scheduled in August 2024 following approval of the Corporate plan in April. Action owner: DCE (ECOD) Timescale for implementation: 31 August 2024 (Completed)

4. Action plan and recommendations – best value thematic 2023/24 (2)

Issue / Risk	Recommendation	Agreed management response
Best Value – Workforce analysis reporting 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 council should consider the cost and benefit of having real time workforce data in dashboards.	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.
The equality and diversity data included in current workforce reporting is very limited.	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.	Agree
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.	Consideration should be given as to whether workforce analysis reporting should be extended to Member committees. .	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 Action owner: Head of HR, ICT and OD Timescale for implementation: 31 July 2025

4. Action plan and recommendations – best value thematic 2023/24 (3)

Issue / Risk	Recommendation	Agreed management response
Best Value – Consistency of priority ratings The corporate workforce plan and service workforce plans use differing priority ratings, which limits read-through of documents and makes them less comparable. We further note that the priority ratings used in the service plans are not explained meaning they could be inappropriately applied.	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. Action owner: Head of HR, ICT and OD Timescale for implementation: 31 August 2024 (Completed)
Best Value – Council-wide reporting framework 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.	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.	The Council plans to improve performance reporting and has committed to this as part of its best value improvements. 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. Action owner: Corporate Management Team Timescale for implementation: 31 August 2025

4. Action plan and recommendations – best value thematic 2023/24 (4)

Issue / Risk	Recommendation	Agreed management response
Best Value – Estates Plan 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.	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 Action owner: Corporate Management Team Timescale for implementation: Per individual projects

4. Action plan and recommendations – best value thematic 2023/24 (5)

Issue / Risk	Recommendation	Agreed management response
Best Value – Staff survey 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. 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. 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.	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. 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 Specific smaller surveys have been used for specific topics e.g. mental health and wellbeing. 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. The next survey will be brought forward to reduce the gap from 2 years to 18months with potential to move to annual thereafter. Action owner: Head of HR, ICT and OD Timescale for implementation: 31 August 2025

5. Progress against Controller of Audit recommendations 2023/24 (1)

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 management response to the report from April 2024 and a progress update at September 2024:

Recommendation	Response at April 2024	Update at September 2024
The council should ensure that members work effectively together to act on key decisions in an effective and efficient manner.	The Council has commissioned external support to develop and rebuild relationships between Members and officers. Further work is planned to develop the collaborative leadership of Members and officers ensuring that the executive leadership of the Chief Executive and senior officers complements and supports the political leadership of Members. Work is progressing and due for completion end of May 2024. The new Best Value Action Plan 2024-2027 will focus on the key priority actions required of the Council. The Plan will be monitored on a quarterly basis by the Corporate Committee to ensure the effective and efficient execution of business and will be reviewed annually by the Council.	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. 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, All actions within this BV theme are currently on target. **Action ongoing and a further update on collaborative leadership is planned in December 2024.**

5. Progress against Controller of Audit recommendations 2023/24 (2)

Recommendation	Response at April 2024	Update at September 2024
The council should ensure all audit and Scrutiny Committee members are clear on their remit.	The Action Plan agreed by the Audit and Scrutiny Committee arising from the self-assessment is now being implemented. A 6-month review of the impact of training to identify learning outcomes, ascertain changes in practice and consider further requirements for training and development will be undertaken.	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. 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. **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.**
The council should undertake further consultation and engagement to ensure local communities are more involved in participatory budgeting	The Council's approach is to embed a Participatory Budgeting (PB) approach and principles within its financial decisions and planning and has set this out in its approach in the budget engagement strategy agreed by the Council. This is exemplified in the wide engagement with the community on financial planning and decisions across all its budgets and this has been commended by Grant Thornton. Within this approach the Council will seek to maximise all opportunities for 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. 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. **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.**

5. Progress against Controller of Audit recommendations 2023/24 (3)

Recommendation	Response at April 2024	Update at September 2024
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	The Council agreed its new Corporate Plan and Delivery Framework on 28/02/2024. Service Plans are presently in preparation and will be reported to Committees in the next Committee cycle. The Council's established arrangements for self-evaluation at service level through Public Service Improvement Framework (PSIF) and How Good Is My (HGIM) were paused during the Pandemic. Arrangements to recommence these are currently being made. The Council has undertaken the Council-wide Strategic Self-assessment of Performance, utilising the 75 Best Value Characteristics and the results will be reported to the Corporate Committee 23/04/2024. The Council will be asked to adopt this model and further that self-assessment be undertaken on an annual basis.	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. 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. Action ongoing

5. Progress against Controller of Audit recommendations 2023/24 (4)

Recommendation	Response at April 2024	Update at September 2024
The council needs to report performance in a more timely manner	The Council is seeking to build on its established arrangements for Performance reporting in terms of content, frequency and better utilisation of multi-media platforms. This will include work with partners in terms of Public Performance Reporting (PPR) requirements.	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. An annual planner is in place to ensure the that reports are brought forward in a timely manner. 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. 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. **Action ongoing, note that the Annual Performance Report for 2023/24 was produced timely by the Council.**

5. Progress against Controller of Audit recommendations 2023/24 (5)

Recommendation	Response at April 2024	Update at September 2024
The council needs to increase its pace of transformation and identify savings to ensure its financial sustainability	The Council's new Transformation Strategy will set out the central drivers which the Council will use to make strategic shifts in expenditure, in order to achieve financial sustainability. The approaches reflected in the key workstreams will be early intervention and prevention, demand reduction, service re-design, asset management and service cessation. The Transformation Strategy will be reviewed annually as part of the Council's financial planning process and will be monitored quarterly to ensure alignment with the Medium to Long Term Financial Strategy.	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. 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. 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. Action ongoing
The council should keep the affordability of its capital plan and related revenue implications under review	The affordability of the Capital Plan is measured by a local PI - %age of revenue funding planned to be spent on financing costs. This is reported at least annually and given the volatility of interest rates will be reported more frequently in 2024/25. It formed a key part of the Capital Plan review reported in January 2024. This will be embedded in our financial reporting arrangements.	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. 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. Action ongoing

5. Progress against Controller of Audit recommendations 2023/24 (6)

Recommendation	Response at April 2024	Update at September 2024
The council should continue to monitor any slippage of the capital plan	The Council is taking steps to establish quarterly reporting in respect of its Short to Medium Term Financial Strategy, Transformation, Risk Management and Best Value. This will also include the Capital Programme in terms of delivery and ongoing affordability. In addition, the Chief Executive will be seeking to strengthen oversight and reporting arrangements in terms of capital monitoring and delivery.	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. **Action ongoing with the first report expected to be encompassed in the quarter 2 2024/25 report.**
The council should review its forecasting process to ensure the most accurate projections	The Council has a good record in forecasting core service expenditure. Previous years variances have reflected timing of the approval of financial flexibilities amongst other late adjustments. All have been approved by members. Forecasting will be reviewed prior to the estimated actual report to members in December, with a particular focus on planned use of ear-marked reserves.	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. 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. **Action ongoing**

6. Progress against prior year recommendations – financial statements (1)

Progress against prior year audit recommendations

We have set out below, our follow up of the recommendations made in our 2022/23 audit and management's progress in implementation:. Of the four recommendations made, all remain open despite due dates passing.

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Ongoing	Review the processes in place for the authorisation of journals and consider introducing a formalised method of journal authorisation.	All journal types are being reviewed and authorization being documented. A report showing volumes of transactions for each journal type has been developed and will be used to assess the risk to the Council which might arise from current procedures. Authorisation within FMS is being investigated.	The Council have made limited progress in introducing a formalised method for journal authorisation. **Recommendation remains valid.**
Ongoing	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.	We continue to invest time and resource into our new FAR system. As evident in the current audit this process has been smoother in 2023/24 but not yet perfect. We have a list of lessons learned and feel we will be in a stronger position for 2024/25.	As was the case in the previous audit, the PPE balances included at Note 15 did not reconcile to the Fixed Asset Register (FAR). The Council provided an FAR during the audit which we agreed reconciled to the updated accounts. However, the Council must ensure the draft accounts reconcile to the FAR. **Recommendation remains valid.**

6. Progress against prior year recommendations – financial statements (2)

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Ongoing	Perform a detailed review of their useful economic lives policy and updated where appropriate. 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.	Preliminary work has begun to identify asset with nil NBV still in use. This focused on our fleet assets in the first instance. Our work plan for 2024/25 is to continue on this now that we are better resourced.	The Council derecognised 58 assets during 2023/24 which had previously been held on the FAR at £Nil. Whilst the Council have made progress in removing assets from the Fixed Asset Register, it should continue to review assets held at £Nil. There are approximately 232 assets held on the FAR at £Nil. 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. **Recommendation remains valid.**
Ongoing	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.	Due to staff turnover this was not reviewed as part of 2023/24 accounts however will be picked up going forward.	The Council have not reviewed the terminology as part of the 2023/24 financial statements. **Recommendation remains valid.**

7. Progress against prior year recommendations – wider scope and best value (1)

Progress against prior year audit recommendations

We have set out below, our follow up of the recommendations made in our 2022/23 Annual Audit Report Wider Scope reporting. A total of seven recommendations were made, of which one has been cleared, albeit progress has been made against all other recommendations:

Risk and Recommendation	Agreed officer response in prior year	Update at September 2024
Financial Sustainability - Reserves **Risk:** There is a risk that continued reliance on reserves to bridge funding gaps will create financial sustainability issues for the Council. **Recommendation:** 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.	The Short to Medium Term Financial Strategy reported on 27/9/23 clarifies the role of reserves in that time frame, sets out options by which the budget gap for 2024/25 and 2025/26 may be balanced including through service reductions and income generation, and emphasise the fact that reliance on reserves to balance budgets is not sustainable. Responsible officers: Chief Executive and Chief Financial Officer Target date: 31 March 2026	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. 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. Action ongoing – not yet due, completion date 31 March 2026

7. Progress against prior year recommendations – wider scope and best value (2)

Risk and Recommendation	Agreed officer response in prior year	Update at September 2024
Financial Sustainability - Transformation **Risk:** The council has not yet identified the savings and efficiencies required in order to eliminate the large funding gap predicted for 2024/25. **Recommendation:** 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.	As is recognised in the Short to Medium Term Financial Strategy, service reductions and income generation are likely to be key components in bridging the gap for 2024/25 and proposals in line with this approach have been prepared and will be reported at a series of council meetings from October 2023. In the Medium to Long Term, further opportunities for transformation are being developed and scoped and these will be reflected in the Medium to Long Term Financial Strategy due to be reported in October. Meantime, pace and progress in the existing Improvement and Modernisation Programme continues to be regularly monitored. Responsible officers: Chief Executive and CMT Target date: 31 March 2026	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. Action ongoing – not yet due, completion date 31 March 2026

7. Progress against prior year recommendations – wider scope and best value (3)

Risk and Recommendation	Agreed officer response in prior year	Update at September 2024
Financial Sustainability - Capital **Risk:** 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. **Recommendation:** 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	A review of the Capital Plan has commenced, this will incorporate the level of borrowing at current interest rates which will result in the Council remaining within the percentage loans charges PI adopted by the Council to ensure borrowing is sustainable. Options to reduce the Council asset base, extend predict asset lives and reduce asset standards will also be developed. **Responsible officer: Chief Financial Officer** **Target date: 31 January 2024**	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. 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. **Action ongoing, but the Council revised their Capital Plan by 31 January 2024 as agreed.**

7. Progress against prior year recommendations – wider scope and best value (4)

Risk and Recommendation	Agreed officer response in prior year	Update at September 2024
Vision, leadership and governance – Audit and Scrutiny Committee **Risk:** There continues to be some confusion between members on what should be escalated to Council and what should be contained and actioned within the remit of the Audit and Scrutiny Committee. We have found that there has been lengthy debates on which committee issues should be escalated to rather than focusing on how to resolve the issue at hand. This presents a risk to resolving identified issues in a timely manner. **Recommendation:** We recommend that further training is provided to members to provide further clarification and guidance on the remit of Audit and Scrutiny to ensure implementation of the scrutiny guide for members is being actioned.	All members of the Audit and Scrutiny committee are shortly to complete a self-assessment questionnaire to help them understand their role on that committee and identify knowledge gaps. Further training is scheduled for Dec 23 to cover questioning techniques and the mechanics of effective scrutiny. This will be monitored through the council's Best Value action plan. **Responsible officers: Head of Governance, Strategy & Performance** **Head of HR, ICT & OD** **Target date: 31 March 2024**	A self-assessment workshop, using the CIPFA self-assessment of compliance with good practice, was held with the results and improvement actions identified being considered by the Audit and Scrutiny Committee in February 2024. Further training for Members on scrutiny questions took place in February 2024. **Action cleared**

7. Progress against prior year recommendations – wider scope and best value (5)

Risk and Recommendation	Agreed officer response in prior year	Update at September 2024
Vision, leadership and governance – cross party working **Risk:** 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. **Recommendation:** 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.	Further work has been planned around the theme of “Collaborative Leadership” by the Council including the use of external support as set out in the Best Value Thematic Review. This work is currently in progress, and we aim to capture findings in a Revised Best Value Action Plan. **Responsible officer: Chief Executive** **Target date: 31 December 2023**	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. 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. 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. 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. **Action ongoing and planned action to December 2023 is complete with further improvement ongoing.**

7. Progress against prior year recommendations – wider scope and best value (6)

Risk and Recommendation	Agreed officer response in prior year	Update at September 2024
Use of resources – participatory budgeting **Risk:** 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. **Recommendation:** 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.	Financial planning in both the short to medium term and medium to long term is being progressed through separate financial strategies across these timescales, the former reported in September and the latter in October. Key stakeholders will be involved in that process through the budget engagement activities which commenced in September and which will continue in terms of the Communications and Engagement Strategy 2023. Participatory budgeting will continue to be used within services to ensure that service developments, e.g. refurbishment of play areas and active travel, are tailored to the aspirations of communities. This is in conformance with the Framework for PB in Scotland which states "PB is a democratic process in which citizens decide directly how to spend part of a public budget" and which recognises the PB sits along with community engagement. Community Engagement will be the strand of activity used to inform prioritisation of resource. **Responsible officers: Chief Executive and Chief Financial Officer and CMT** **Target: 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. 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. 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. **Action ongoing with planned action to 31 March 2024 complete with further improvement action ongoing.**

7. Progress against prior year recommendations – wider scope and best value (7)

Risk and Recommendation	Agreed officer response in prior year	Update at September 2024
Best Value – service improvement and reporting **Risk:** That performance reporting required in the Statutory Performance Information Direction is not considered in a timely manner. **Recommendation:** It is important that the Council produces and presents the performance report required from the Statutory Performance Information Direction in a timely manner.	Performance information is reported to service Committees for review and scrutiny on a 6 monthly basis. Quarter 4 reporting tends to be June depending on when Committee dates fall. The overall Council performance information for public performance reporting is collated from that final cycle of information and reporting for approval as soon as possible. A range of other communications and engagement work and staff vacancies for 2 of 3 posts delayed this from September to November for 2023. It is hoped that filling of vacancies will enable this to revert to the planned timescale and consideration will also be given to whether this could be achieved earlier than September in future years. **Responsible officer: Head of HR, ICT & OD** **Target: 30 September 2024**	Implementation of self-evaluation to deliver continuous improvement is progressing with the re-activation of the PSIF process moving forward and planned work with the Improvement Service to support delivery. All actions within this BV theme are currently on target including publication of the Public Performance Report in June 2024. The profile and frequency of performance reporting has been increased and will be reviewed monthly at the CMT with a more comprehensive review on a quarterly basis. Further work is underway to bring together the various performance data sets from across the Council together to develop a more effective and user-friendly reporting method. **Complete - improved timely reporting of the Public Performance Report in June 2024.**

8. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required 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 Council'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.

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 with regard to non-audit services.
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.

8. Audit fees, ethics and independence (2)

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

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The tables below 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.

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.

8. Audit fees, ethics and independence (3)

External Audit Fee Service	Planned Fees £	Planned Final Fees £
External Auditor Remuneration	(1) £239,960	*£285,960 (2)
Pooled Costs	£8,530	£8,530
Contribution to Audit Scotland costs	£Nil	£Nil
Contribution to Performance Audit and Best Value	£61,280	£61,280
Sectoral cap adjustment	(£3,950)	(£3,950)
2023/24 Initial Audit Fee	**£305,820**	**£351,820**
Trust Fund Charity (not covered in Initial Fee)	**£6,900**	**£6,900**
Indicative fee for 2023/24	**£312,720**	**£358,720**

* The fee noted is based upon the expectation that the work to be completed for the grant claims are in line with expectations, as the grants work is on-going.

1. In the planned fees this included £6,000 additional fee notified in the Audit Plan for journals work and follow up of 2022/23 recommendations.
2. The final fee includes an additional £46,000, therefore the increase from the base audit fee is £52,000 prior to the trust fund audit, and **£58,800** including the trust fund audit.

The reason for the £52,000 fee variation (before Trust Funds) is due to the new risk areas / and additional work required in the following areas during 2023/24:

- Journals – additional work due to the higher risk environment because of the lack of authorisation controls
- Prior period adjustment – work required on the prior period adjustment and associated disclosures
- IFRIC 14 pension assessment – work required on the IFRIC14 assessment and subsequent restatement of the pension asset
- Property, Plant and Equipment adjustments – there were several amendments to PPE and within Note 15 where additional work was required.
- Wider scope audit responsibilities – additional work required on the Controller of Audit Report, including a significant amount of work to follow up.

recommendations. The depth of work required to provide our response on wider scope is more significant than would usually be expected.

- Correspondence – we received several correspondence during 2023/24 from Audit Scotland which required follow up with management.
- Timeliness and adequacy of audit response to working papers and samples led to increased audit resource required and extra weeks to complete the audit.

8. Audit fees, ethics and independence (4)

Audit fee narrative (continued):

- Working papers – The audit team had a challenge in agreeing information from the accounts to the trial balance, particularly in relation to internal recharges. The Council have recognised there is an underlying issue with the working papers presented for audit
- Client response time - The time taken for the return of some sample items was often outside of expected time ranges.
- The Fixed Asset Register - The version presented for audit did not reconcile to the values included in the financial statements which presented complications when completing our testing of property, plant and equipment.
- Finance Staff Capacity - There has been a high turnover of staff in key positions within the finance team which led to challenge in obtaining explanations in certain account areas.

Fees for other services

Service	Fees £
Connected charity s106 audit	6,900
Total	**6,900**

The non-audit services above are consistent with our Plan presented to the Audit and Scrutiny Committee on 08 May 2024. None of the above services were provided on a contingent fee basis.

For the charity audit, there is a threat of self-interest, self-review and management.

The safeguard for self-interest is that the fees are fixed with no contingent element, and the fee taken on its own is not considered a significant threat to independence as the fee for the charity (£6,900) in comparison to the total fee for the audit of £358,720 and in relation to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.

The safeguard for self-review is that our work on the charity is conducted independently from the audit work. This factor mitigates the perceived self-review threat to an acceptable level.

The safeguard for management is that we do not provide any management services or act in a management capacity. This factor mitigates the perceived management threat to an acceptable level.

This Annual Audit Report including the audit fees was presented to the Council on 22 October 2024 and has been agreed with management and Audit Scotland.

8. Audit fees, ethics and independence (5)

Financial statements

We have provided a reconciliation below to reconcile to the £0.359 million on page 104 for audit and page 105 and non-audit fees. The figures are in round thousands below as per the disclosure in Note 34, external audit costs.

• Fees per financial statements: Audit	£352
• Fees per financial statements: Trust Funds	£7
- Total fees per above	£359

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 and Head of Public Sector Assurance, 103 Colmore Row, Birmingham, B3 3AG. If your 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, 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 out 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 2021 (grantthornton.co.uk)

9. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our 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	•	•
Matters in relation to the group audit	•	•
Views about the qualitative aspects of the 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		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•

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